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## Official Report of Debates (Hansard)

Monday 4 February 1991

### Standing committee on public accounts

Annual Report,  
Office of the  
Provincial Auditor, 1990

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday 4 February 1991

The committee met at 1405 in room 228.

### ANNUAL REPORT, OFFICE OF THE PROVINCIAL AUDITOR, 1990

Consideration of the 1990 annual report of the Provincial Auditor.

**The Chair:** I call to order the first sitting of the public accounts committee of this historic year. You have before you the agenda and perhaps before we proceed to the first deputation I have been asked that on 26 February we have a deputation from Joseph Virgilio, who is the chair of the York Region Roman Catholic Separate School Board. The same gentleman appears on the 28th. He has asked us, and it seems to me to be logical, that he should only have to come on the one occasion, so I am requesting that we have him come on the 26th and we will perhaps extend the sitting a bit to allow him to put together the two times. Is that agreeable to the committee? Agreed. All right.

And on the 28th, since that frees up the 28th in the morning, we have had a request from the former chair of the Lakehead Board of Education, an Evelyn Dodds. She was apparently the chair of the board when, during the issue that is involved with Lakehead, the auditor was requested to look into that matter, and she has requested that she be allowed to appear. I know that seems to be reasonable. She would probably be the person most knowledgeable on the issue, so I am suggesting she fill in the slot on the morning of the 28th. Is that acceptable to the committee? Seeing no one objecting to it, that will be the case then.

The final item is that our researcher has requested that we give him half an hour on 5 February. You will note at 11 in the morning we are in closed session, and the researcher has asked that we give half an hour of that to him to address us. On the 26th a similar situation exists, we are in closed session at 11 in the morning on the 26th. He has also asked us for 30 minutes there. That is just to ensure that he has an opportunity in the event that we get carried away, as we will find can so often happen. Any difficulty with that?

**Mr Cousens:** We have a closed session for the 26th that is not listed on our agenda.

**The Chair:** Yes, the 26th, you should have it on there; Tuesday 26 February at 11 in the morning.

**Mr Cousens:** No.

**Ms Poole:** No.

**The Chair:** Oh, is that right? Where is the clerk?

**Mr Cousens:** I would not worry about it. That is fine. If you say it, that is good enough.

**The Chair:** Yes, I will tell the clerk that that is the case. It must be a new agenda he has prepared then, but I will check that afterwards. Having said that, we can now get down to the business of today.

### MINISTRY OF COLLEGES AND UNIVERSITIES

**The Chair:** I would like to welcome the deputy minister, Dr Thomas Brzustowski, is it?

**Dr Brzustowski:** Mr Chairman, that is very close.

**The Chair:** That is very kind of you. I probably botched it good.

**Dr Brzustowski:** Seven out of 10, maybe eight.

**The Chair:** Perhaps you would be kind enough to introduce the other people who are presenting with you, and then we would be happy to hear from you and then of course there will be questions I am sure from the committee.

**Dr Brzustowski:** Mr Chairman, if you would allow, I would first of all like to explain my presence here. Members of the committee are probably aware that I have assumed a new set of responsibilities, in fact as of 1 February, so I am no longer the Deputy Minister of Colleges and Universities. Dr Bernard Shapiro holds that position. But since I was the deputy minister while these audits were taking place, it seemed appropriate to come here and discuss them.

I would like to introduce on my left, your right, Jamie MacKay, who is the director of the university relations branch in the ministry, and on my right and your left, David Lyon who is executive co-ordinator of corporate planning and services for MCU.

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I really would like to thank the committee for the opportunity to present and discuss the ministry's response to the Provincial Auditor's reports on these inspection audits of Trent University, the University of Guelph and the University of Toronto. I did not realize that we were going to be so honoured as to be here for your very first session, but this is an important issue and we take it very, very seriously.

The Provincial Auditor's audit of these three universities is, in a sense, a milestone event. These audits are the first ever conducted by a servant of the Legislature in the universities.

In 1987, when the Provincial Auditor announced that he would conduct inspection audits of the university community under section 13 of the Audit Act, he defined "inspection audits" as "examinations of accounting records." He also said, and I quote from the letter of the time, "Although value for money observations may arise as a by-product of inspection audits, the audits cannot be specifically value-for-money oriented."

Let me state from the outset that we in the Ministry of Colleges and Universities believe that the Provincial Auditor's initiative in conducting these inspection audits has been beneficial and constructive for the ministry. The ministry has taken seriously the observations and findings of the Provincial Auditor and his staff and we have discussed all three audits with his office as each was released.



Where they apply to the ministry, the audit findings have prompted the ministry to review existing policies and procedures which I will describe shortly.

From the ministry's perspective, the findings of the audits fall into two types, those that are within the statutory and regulatory control of the ministry itself and those others that properly fall under the respective jurisdictions of the three universities. I understand that officials of the three universities have been invited to appear before the committee and therefore I will restrict my comments to those matters that are within the purview of the ministry. It would only be appropriate for the universities to address audit observations that relate specifically to the operation of their institutions.

It is by acts of the Legislature that the universities of Ontario are autonomous institutions. This means in essence that they have the freedom to determine who will be admitted to the university, how they will receive their university education, the academic standards against which they will be assessed and the manner in which the university will be administered.

The Ministry of Colleges and Universities provides public funding to the universities in the form of operating grants to enable the universities to deliver university education. In so doing, the ministry formulates policies and prescribes the basis upon which the distribution of operating grants is achieved.

I might add, parenthetically, that because of the statutory autonomy of the universities and because the ministry's role is so very limited, it is in fact possible for the staff of the ministry who work in this area to be limited to something like three dozen people.

The existing accountability framework between universities and the ministry is predicated on this statutory relationship and the statutory provisions of each university's enabling legislation. The ministry's policies and procedures respecting the funding of and the distribution of funds to the universities is embodied in something we call the Ontario Operating Funds Distribution Manual; that's a permanent document of the ministry updated on a regular basis.

With the committee's indulgence, I would like to spend some time to highlight the significance of the manual and the university's legislative independence before I comment specifically on the audit findings relating to the enrolment reporting systems.

Section 7 of the Ministry of Colleges and Universities Act permits the minister to make regulations, among other things, for prescribing the terms and conditions under which grants are provided, defining "enrolment" and "student" for the purpose of legislative grants and requiring that enrolment be subject to approval of the minister.

Although no regulations have been made pursuant to Section 7 of the act, the Ontario Operating Funds Distribution Manual in effect serves the purpose of a regulation and sets out the basis on which funds are distributed and the reporting requirements necessary to demonstrate entitlement to such funds. This manual prescribes the terms and conditions under which universities receive general purpose operating grants and the distribution of specific

targeted funds which represent the balance of operating support. These targeted funds carry with them specific accountability and reporting measures to ensure that their expenditures by the university achieve the purposes for which they were intended. An example might be a fund targeted for the purchase of undergraduate laboratory teaching equipment or library materials. That is a targeted fund.

The amount of general purpose operating grants that a university receives is to a very large extent determined by the size and type of its enrolment. Without going into the complexities of the funding distribution formula, and they are considerable, a formula which takes into consideration past and current enrolments in the process of determining the university's entitlement, until recently and in general, the higher the enrolment and the more academic activity-intensive the enrolment, the greater the entitlement. The intent obviously is in some way to reflect activity in the entitlement, both in terms of the numbers of students and the amount of service these students obtain.

Universities are therefore expected to report their enrolment accurately to ensure that they receive their proper share of the total general purpose operating funds available to the university system as a whole. To ensure that there is consistency and equity among the universities in their enrolment reporting, to avoid over- and underentitlements, the Ontario Operating Funds Distribution Manual sets out the enrolment definitions, eligibility policies and reporting procedures.

Having said that, I wish to make the observation that Ontario has 22 universities and university-related institutions, no two of them identical, each having its own mix of programs and specializations and each operating under its own academic and administrative imperatives. Each institution serves a diversity of needs and interests within a very diverse student population.

Enrolment definitions and eligibility policies therefore are set by the ministry in the manual to embrace the most common definitions and occurrences within the university system, relying on specific rulings on application by the universities to the ministry on interpretational issues. I think if we tried to write a manual which catered to every conceivable situation which already exists, let alone the ones which will develop as programs evolve, the manual would be the thickness of a dozen phone books. We do rely on the manual and we do rely on specific rulings to interpret the manual in particular cases.

Each year, universities are required to submit audited financial statements. This is a major element of accountability of the universities to the ministry. In addition, for some of the universities it is a requirement that their reports be tabled in the Legislature each year, and again, I say "some" because some of the university acts do specify that requirement; some others do not.

The reports outline the financial position of the institution and, along with accompanying notes, describe any contingencies or extraordinary transactions in which the universities may have participated.

The ministry also receives on an annual basis a comprehensive and standardized report on the revenues and



expenditures of the universities prepared by the committee of finance officers—universities of Ontario, which is a subcommittee of the Council of Ontario Universities, in turn a representative body of the universities.

Each year by 31 December, following the conclusion of the academic year, every institution must submit to the ministry an audited enrolment report indicating its weighted enrolments, measured in something called basic income units, BIUs, and also tuition income. The university's external auditor, that is, the auditor appointed by the board of governors of the university, is responsible for attesting to this report's contents through procedures as prescribed in the Ontario Operating Funds Distribution Manual and submitting an audit opinion to the deputy minister. This audit requirement is designed to provide assurance to the ministry regarding the completeness and accuracy of the university's enrolment count within limits of materiality as prescribed.

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I cannot overemphasize the importance of this audited enrolment report submitted to the ministry by the university. It is this audited enrolment report which serves as the basis for determining the general-purpose operating grant of the university. This is the report also which provides assurance that the definitions, policies and requirements of the manual are being adhered to in a consistent manner from year to year.

Earlier on I mentioned that specific accountability measures are in place for targeted funds. Where appropriate, the ministry has also required universities to report specifically on targeted programs through the same external auditors. If I may, I would now like to focus on the specific findings of the university audits as they pertain to the ministry. What I am about to say refers to the detailed audit reports on the three universities provided to me by the Provincial Auditor and the ministry's respective responses. I will not refer to these materials in detail but will only address them in a summary fashion, because copies of the documents are provided to the committee for your information and because we are here to answer your questions afterwards.

On 20 December 1990 the Provincial Auditor provided the ministry with a summary of the audit results of the inspection audits that were carried out. In that summary, the Provincial Auditor emphasized his concern that accountability is inadequate and needs to be improved. We too believe that accountability for funds distributed to the universities is of paramount importance. In this connection, we note that the Provincial Auditor did not report any instance in which funds provided by the ministry were not spent on purposes for which they were intended.

We also agree that the weaknesses pertaining to enrolment reporting in specific institutions, if allowed to remain unaddressed, call into question the equitable distribution of funds among the institutions. In this regard, the auditor's observations are helpful and I want to assure the committee that the ministry is always alert to looking at improvement opportunities where inconsistencies may exist and be shown to exist.

I would now like to deal with one of the Provincial Auditor's main observations that seems to be common to all three audits and that is the issue of distinguishing, for enrolment reporting purposes, between what we call honours and general arts and science students. Universities, for purposes of enrolment reporting, provide the ministry with a count of students and the programs in which they are enrolled. Based on this report, the ministry generates a weighted enrolment count by applying the applicable program weight which varies from program to program. For example, a general arts and science program carries a program weight of 1.0, whereas a doctoral program carries a program weight of 6.0. This means that in the weighted enrolment count, a single doctoral student would count in the same way as six students registered in a general arts and science program.

Upper-years honours arts programs carry a weight of 1.5 and upper-years honours science programs carry a weight of 2.0. Again, without going into the intricacies of the funding distribution formula, it is fundamental that all student counts be translated into a common measure of weighted enrolments, and I should add a remark here, Mr Chairman. It may seem out of context—it appears again later—but I would just like to underline for the committee that the issue in the enrolment weights and the enrolment counts is the distribution of a fixed sum of money made available by the Legislature among the universities. There was a time early on in the operation of this formula where the amount of money made available responded to the enrolment count, but that is no longer the case. It is a distribution of a fixed sum.

Specifically, in connection with Trent University, in his report on Trent University issued in April 1988, the Provincial Auditor commented that the enrolment data reported by the university were incorrect. The Provincial Auditor reported instances of non-compliance with ministry and university guidelines on the determination and reporting of students enrolled in the honours arts program.

The Provincial Auditor also claimed that since 1982: "Trent has received approximately \$11 million that might otherwise have been granted to other universities. This resulted from the university reporting enrolment data based on criteria that had not received the required ministry approval. The situation was exacerbated by the failure to even adhere to the university's established criteria. Furthermore, unless the ministry approves the criteria retroactively, this will also result in higher future funding than Trent is entitled to."

The ministry replied to these observations in a letter to the Provincial Auditor in September 1988. I would like to briefly summarize the reply to the Provincial Auditor pertaining to these issues. This goes back into history some time, two decades in fact.

In 1968 the ministry approved Trent University's policy to use marks as a way to distinguish upper year honours from general students for enrolment reporting purposes. However, in 1982 Trent University failed to specifically request approval for the revised criteria adopted for differentiation of honours students. A revision had passed through the senate of Trent University. In fact, the



ministry was informed but the letter did not explicitly ask for approval.

The ministry's position is that if Trent University had requested approval in 1982 for the change in revised criteria, permission for that change would have been granted, especially since the changes were approved by Trent University senate and were not inconsistent with the previous approval to that university, and with the practices of other universities.

Subsequent to the Provincial Auditor releasing his report, Trent University requested and received from the ministry retroactive approval for the 1982 change. I would like to assure the committee that Trent University has been told that it must request approval from the ministry prior to the implementation of any such future changes. Trent University has agreed to ensure prior approval is obtained in the future.

Regarding the finding on the overpayment of the operating grants resulting from this lack of approval, it should be noted that the \$11-million overpayment or estimate of overpayment is based on the Provincial Auditor's understanding that Trent University had never received approval for its policy of differentiating honours students back in 1968. The ministry has recalculated Trent University's grants on the basis of ministry approval received in 1968 but not in 1982, and on the actual formulae in use during the periods in question. Based on this recalculation, the ministry has determined that Trent University received approximately \$1.3 million more in operating grants over the period 1982-83 to 1986-87 than it would have received had it not changed its criteria for differentiating honours students.

In the matter of the University of Guelph, in his report released in July 1989 the Provincial Auditor expressed concern that the differentiation between honours students and general students under the existing university funding policy was open to wide interpretation and possibly to inequities as well.

The ministry's response to the Provincial Auditor was to note that subsequent to the release of the Trent University audit report, the issue of funding honours arts and science programs in all universities was referred to the Ontario Council on University Affairs for advice and recommendations.

I am now able to inform the committee that the council, after examining this issue, provided an advisory memorandum to the minister, number 90-V, in November 1990, which was accepted by the minister. New ministry reporting guidelines based on that advice will take effect in the 1992-93 academic year. The result of implementing these new reporting guidelines will reduce the variability in classifying general and honours students and introduce greater inter-institutional fairness and consistency in reporting practices.

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In the matter of the University of Toronto, the Provincial Auditor in his report on the University of Toronto issued in July 1990 noted that the university has not differentiated its arts and science students into general and honours categories since 1969. The Provincial Auditor correctly

points out that the university had an agreement with the ministry permitting it to apply a common funding weight of 1.2 for its arts and science students.

The Provincial Auditor contends that first-year students should have received a weighting of 1.0 regardless of the programs they were in, and that this special funding arrangement has provided the university with significantly more funding for its arts and science students than other universities. The university, as a result, received a comparable amount of funding for its upper-year arts and science students while annually receiving between 33% and 42% more funding for its first-year students.

In the 1989 fiscal year the university claimed 3,000 BIUs, these basic income units which are the product of the weight and the number of students, or approximately \$13 million more, in the Provincial Auditor's opinion, than it would have had had all first-year students been counted at the weight of 1.0 rather than 1.419. It was further noted by the Provincial Auditor that if all other universities in Ontario had been funded on the same basis as the University of Toronto they would have been entitled to a total of \$55 million to \$75 million dollars more in the 1989 fiscal year.

In responding to that, we have to go back to the origin of the funding weight calculation of the University of Toronto. The origin of this funding weight calculation, using the university's arts and science two prior years' enrolment, goes back to 1969-70. During the 1972-73 fiscal year the University of Toronto indicated that due to a general shift in the balance between arts and science, and four- and three-year programs, the university was losing grants relative to other Ontario universities. The feeling was that the prior arrangement was not giving the university a fair measure of entitlement.

As a result of this particular representation from the university, and after careful consideration, a method of revising a what we called blended program weight was established. This weight is applicable to all years of study of the program based on the weighted average of actual degrees conferred on three-year arts and science, four-year arts and four-year science students.

Just parenthetically, the idea was that if one looked at degrees, the distribution of degrees actually granted by the University of Toronto, the question was: What formula weight, if it was applied to all the students enrolled in arts and science, would give the same entitlement to the university as the people graduating in those degree categories with their rigid formula weights as applied to everybody else? It was in this way that the number 1.419 was arrived at.

As the ministry indicated by letter to the Provincial Auditor on 14 September 1990: "The formula for determining the blended weight was implemented only after careful review and discussion by the joint subcommittee on finance of the Committee on University Affairs and the subcommittee on operating grants of the Committee of Presidents of Universities of Ontario." I should add that the Committee on University Affairs was the minister's arm's-length advisory body, the precursor to the Ontario Council of University Affairs of today. It was the government advisory body.



The initial weight was recalculated for the first time in 1972-73 after a careful review by the joint committee on finance and operating grants.

The formula that had been originally developed in 1969 remained essentially unchanged. Since the original blended weight applied to all four years of study, it was, and continues to be, appropriate for subsequent revised blended weights to be applied to all four years as well. The weight was changed from 1.2 to 1.4.19.

The ministry therefore cannot agree with the audit report's suggestion that first year enrolment be reported at a weight 1.0 and with the funding implications suggested which are based on that opinion.

It should be noted that the decision to establish the blended weight was determined in an open process involving consultation with representatives from all the institutions, people who had a great, great interest in the equity of the outcome. Except for the very early years of the operating formula grants, formula weights have not affected the total amount of funding made available to the system. They have only affected the distribution of funds among the institutions. In other words, no additional funds would have been provided to the system by applying the University of Toronto's blended weight to the entire system.

I would like now to comment very briefly, drawing to the end of my remarks, on some specific audit observations. In his reports on Trent University and the University of Guelph, the Provincial Auditor noted that there were incorrect recordings of students at the count date and also that some foreign students were ineligible for inclusion in the count totals. These points relate directly to the university's external auditor reviewing the universities' systems of internal control to ensure a proper cut-off of enrolment was performed by the university's admission office and that foreign students were correctly classified in the enrolment count report.

There is a cut-off date. It is called the count date. It is the numbers as of that date that are counted.

The ministry cannot answer for the audit verification procedures employed by the university's external auditor other than to state that as a result of the Provincial Auditor's observations, instructions regarding audit verification procedures were reviewed. Changes resulting from the review will be reflected in revisions to the Ontario Operating Funds Distribution Manual for the 1991-92 fiscal year. The universities' external auditor will receive the manual under normal distribution procedures.

The Provincial Auditor also found instances where enrolment counts were in error. In an enrolment reporting system where some 700,000 student records are reported to the ministry annually, reporting errors can be expected to occur at the institutional level. The manual recognizes this reality and prescribes a materiality limit of 2% for enrolment reporting errors.

The Provincial Auditor in his 1989 annual report stated: "...errors identified during our audit (University of Guelph) represented only 1.9% of reported enrolment. Under existing procedures an error rate of up to 2% is considered tolerable."

The University of Toronto, as described by the Provincial Auditor, has been claiming "pre-commerce students" as commerce students. The ministry's reporting guidelines state that a student enrolled in a selection of courses which might be classified under different formula programs of study should be classified in the formula program in which the majority of the courses fall.

The ministry believes that whether the University of Toronto has in fact correctly classified the commerce students would depend on whether the majority of courses taken in the first year were applicable to the commerce degree and not whether they were formally registered in a commerce program. As stated in the Ministry's letter in the letter to the Provincial Auditor: "...the ministry has never required that students be formally registered in formula programs of study, since these are simply broad funding categories."

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We will now turn to the more general questions. I note that the Provincial Auditor has expressed some concern about the accountability of the universities, particularly with regard to their efficiency, effectiveness and economy. Part of that accountability for their effectiveness rests in the assurance that the graduates have been provided with an education of the highest quality. At the institutional level, no new programs may be launched without an internal academic review and approval by the university senate or equivalent body. In addition, for all graduate programs and professional undergraduate programs, funding recognition is not provided by the ministry until the program has been reviewed by the academic advisory committee of the Ontario Council on University Affairs, recommended to and then accepted by the ministry. At the graduate program level, the quality control is even more rigorous: All graduate programs undergo a rigorous accreditation review by the Ontario council on graduate studies on a cyclical basis. To borrow a motto, quality is job 1, in this area as well as many others.

Ultimately, the question inevitably arises as to whether society has been and continues to be well served with the amounts of public funds entrusted to the universities to deliver university education and engage in research. I would just like to spend a few moments and give some illustrations for the committee to draw its own conclusions as to the effectiveness of the Ontario university system.

In comparison to the other provinces, Ontario in 1988-89 ranked ninth in operating grants for full-time equivalent, FTE, students. Ten years earlier, in 1978-79, Ontario had ranked eighth. Over the 10-year period from 1978-79 to 1988-89, the operating grants per FTE student declined by 23% in real terms, indicating the substantial economies achieved by the Ontario universities over that period. The ratio of full-time students to full-time faculty increased from 12.6 to 15.2 over the period from 1980-81 to 1989-90.

To add to that parenthetically, there will be those who would not use the word "economies" to describe the fact that the universities have dealt with an operating grant decline of 23% per student in real terms; they might use some other words to describe that situation. The fact is that the institutions have had to operate in a way which called

on their ingenuity, their ability to achieve economies. On the basis of their output, my opinion is that their effectiveness has not declined.

On the output side, enrolment grew 25.3% from 248,800 students—this is a head count—to 311,800 students over the same period. Applicants to undergraduate studies increased in number by 48% between 1977 and 1989 at a time where the 18-24 age group was declining. Over this period, the universities met the challenge of this increased demand and maintained an admission rate of about 35% of applicants. I should just slow down right here. When one tosses around percentages like this, one is using a single index to describe a very, very complicated situation. The number is far larger if one looks simply at those applying from the high schools, a much higher percentage, but if one includes other people coming back and applying other than high school, that 35% describes it overall. This resulted in an increase in the participation of this age group, the 18 to 24 age group, of nearly 5%. Today, almost one in five 18- to 24-year-olds participates in university education.

The remarkable statistic is the next one. The participation of grade 9 students—that is, those who are in grade 9 one year, and one looks at them again four or five years later—in university education grew from 16 per cent in 1971 to about 24% in 1989, from one in six to one in four. Women students now make up 55.1% of the university student population, and that number was only 49.2% at the beginning of the decade. Between 1979 and 1989, there were increases of 19% in bachelor's and first professional degrees, 14% in master's degrees and 16% in doctoral degrees awarded. The trend in bachelor's and first professional degrees has increased steadily for virtually all universities from a total of 37,517 to 44,587, and these are degrees granted per year, in the 10 years since 1979.

The Ontario university system produces the largest proportion of graduates in Canada, granting some 43% of all degrees awarded in 1988. Operating income for Ontario universities, however, represents approximately 32% of the operating income for the whole of Canada.

In addition to the development of a more educated populace and the training of people for the professions, universities conduct basic and applied research. Researchers at Ontario universities must compete for sponsored research funds not only with their institutional colleagues but also with other researchers across the province, Canada, and on occasion the competition is worldwide. Over the last 10 years, sponsored research funding per full-time faculty in Ontario universities has increased by nearly 50%. Ontario universities are major participants in the research programs of the federal granting councils.

In conclusion, I am pleased to report to the committee that as a result of the Provincial Auditor's findings on enrolment reporting, the ministry has undertaken two initiatives.

The first is a review of the relevant sections of the Ontario Operating Funds Distribution Manual. This has resulted in changes effective 1991-92 to address the enrolment reporting weaknesses observed by the Provincial Auditor.

The second is a review of the issue dealing with the reporting of students in honours or general arts and science programs by the Ontario Council on University Affairs. The ministry accepted the council's recommendations contained in its advisory memorandum, resulting in new reporting guidelines which will come into effect for all institutions in the 1992-93 enrolment reporting cycle.

The ministry notes the reference made by the Provincial Auditor to improving the accountability of our universities through the universities' external auditors conducting comprehensive or value-for-money audits by which the universities' efficiency, effectiveness and economy are assessed.

On the surface, this is an interesting concept and while the ministry is receptive to exploring its applicability to strengthening the existing accountability relationship, we believe that the other stakeholders, that is, the universities and their external auditors, need to be involved in such an exploration. The comprehensive approach to auditing universities is, to our knowledge, still at an experimental stage at best; there is a lack of empirical evidence that points to successful applications.

The universities remain fully responsible and accountable to the public by virtue of their respective and enabling legislations and their governance structures, for the proper expenditure of public funds, and to the extent that a value-for-money approach to conducting their audits will enhance the discharge of these responsibilities, it is a matter that is deserving of their consideration.

However, given the current extent and degree of public knowledge and accountability described earlier, it may be unrealistic to expect that a new auditing approach holds the prospect for significant improvements in efficiency, effectiveness and economy.

That completes my opening remarks to the committee. My staff and I would be pleased to answer any questions of the committee members. I thank you for your attention.

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**The Chair:** Perhaps you would be good enough to identify the two gentleman sitting with you for the purposes of Hansard, and then we can inquire if they have any comments.

**Dr Brzustowski:** On my left and your right, Jamie MacKay, the director of the university relations branch of the Ministry of Colleges and Universities, and on my right and your left, David Lyon, executive co-ordinator of corporate planning and services for the Ministry of Colleges and Universities.

**The Chair:** I do have members who would like to ask questions. Perhaps before I open it up I should ask, Mr MacKay, do you have anything to add?

**Mr MacKay:** No, I do not.

**The Chair:** Mr Lyon, do you have anything to add? All right, then we will proceed to questioning.

**Mr Cousens:** The presentation that has just been made in part answers the question I want to ask but it still leaves it there. It has to do with what an audit is. When a university completes an audit of its enrolment, it has to meet guidelines, where an outside auditor would have said



it adheres to these guidelines and so it goes. But now you are coming out, as you say on page 15, with the new procedure which will hopefully remove any of the inconsistencies that have existed or taken place in the past. First, is this document ready for review at present? Is this something that could be tabled with the auditor and maybe ourselves to have a look at, just so we can see what changes you are bringing about and how comprehensive it is?

**Dr Brzustowski:** I would like Mr MacKay to answer that, because he has been involved with the work of that document.

**Mr MacKay:** There are two things we did as a result of the Provincial Auditor's work. One was to refer the matter of honours-general reporting to OCUA. We could certainly distribute the advisory memorandum they submitted to the minister, which will explain how honours and general students will be counted for funding purposes in the future. We also did a general review of the operating funds manual to look for other kinds of inconsistencies like the honours-general. Were there any other possibilities for similar kinds of misunderstandings, if you will, to develop between the ministry and various universities?

In that process, we cleaned up a lot of relatively minor things that could have led to misunderstandings. We also developed what we think is of fairly major significance, that is, a questionnaire the external auditor will have to fill out when he has completed the enrolment audit. We can certainly distribute a draft of that. That will be going into the manual for the next fiscal year. That is a result of considerable discussions with the office of the Provincial Auditor, the universities, their auditors, along with the ministry. That will, I think, provide us with a little more assurance that if an external auditor finds some mistakes in a particular year that may not have been over the 2% materiality limit but nevertheless were found, that we would have some assurance that something was going to be done about that, because the ministry would be told that something had been found in that questionnaire. That is something we have never had before. We had just the auditor's expressed opinion that the enrolment count is accurate within 2%. So we certainly can distribute both of those.

**Mr Cousens:** It would be helpful during the deliberations we are carrying on here if we had it sooner than later.

**Mr MacKay:** We can distribute copies of the manual. We have some summaries of what the OCUA recommended here, which is probably a little easier for you than the complete memorandum at any rate. We also have copies of the questionnaire that we can distribute.

**Mr Cousens:** The answers are good. It proves the value of having the auditor, and also the working relationship you have established in continuing to liaise with the auditor.

One other side question I have that ties into it. I am an old Queens man, but I also went to U of T. I see you are wearing your Queens tie, so you are okay.

**The Chair:** Did you go there one after the other?

**Mr Cousens:** In the front door and out the back probably, the same as you.

I think the deputy minister covered over it almost as if it was a nice thing, but I think there has been some favouritism to U of T as you look at section 12, especially in giving the common funding weight of 1.2 for arts and science students. I think the auditor highlighted that as an issue, yet in the response that has been just read, it almost makes it as if: "Well, no problem. It's still one big pot, and it just means they got a little bit more than someone else."

I have a few questions. First, I think your answer is a little less than I would have hoped, because I think we want to have as much equity as we possibly can in this divergent system. Second, I would hope that if there is any other example where favouritism is being shown to one university over another that we are doing everything we can to somehow make them all equal and common.

**Dr Brzustowski:** It is very clear to me that my answer was not good enough, because I think I failed to make the point that I think the matter is entirely equitable. Let me try to explain it.

The University of Toronto has a certain number of first-year arts and science students for whom the weight is 1, as it would be for anybody else. Then it has a certain number of second- and third-year and so on students in the honours programs for whom the weight would be 1.5, and upper-year students in the general programs for whom the weight would be 1, and upper-year students in the honours science programs for whom the weight would be 2. So they have a whole bunch of students for whom the weight would be 1, some others for whom it would be 1.5 and some others for whom it would be 2.

They have chosen not to distinguish, because of administrative difficulties, I am told, between students at the time they are enrolled. Students sometimes make their choices quite late, having many options open to them and so on. The question then was: With that mix of students, if one were to count only the heads, what average formula weight should be applied to all of them so that the result would come out exactly the same as if they had been counted the way the other universities count them? That was the mathematical problem.

Where to get the information on what proportions these students actually are enrolled? The university proposed simply to look at the evidence of the degrees they get, and assume that the proportion of degrees granted carries to the student body that is enrolled. With that, the formula weight of 1.419 was derived at, not to give Toronto a privileged status in funding vis-à-vis other universities but to acknowledge that their administrative procedures are different, to honour that, and make sure they get the same amount—no more and no less than the other universities would. It is quite clear that my first answer was not up to snuff on that.

**Mr Cousens:** That is fine. I guess the conclusion I would draw from that is that if there are any other areas in which one institution of the 22 that exist in our province where there is special treatment or consideration being given, I would hope we have identified that or within your ministry you have identified it, unless it is one of those

political decisions where the new minister is going to look after McMaster or something.

**Dr Brzustowski:** The other institutions would be heard from.

**The Chair:** I would not touch that one with a 10-foot pole.

**Mrs Cunningham:** He told me he is taking care of Western.

**Ms Poole:** I have a few questions about the targeted funding. You pointed out in your document that the auditor did not find any instances where funds provided by the ministry were used for other purposes than they were intended. What recourse would you have as a ministry if, for instance, you allocated to a university specific funds for improvement of its library program, if they had a surplus from that fund and then transferred it over to buy more lab rats or something in the science department. Do you actually have any recourse? If the money is spent, it is obviously very difficult to get it back. You do not want to cut down their entitlement for next year because if they have a set enrolment you do not want to deprive the students. What do you do in those instances?

**Dr Brzustowski:** Let me try to answer it first in general terms before I ask Jamie MacKay for some specific. The question presumes that there are more instances than in fact I could put my fingers on. In cases where the university has felt it has wanted to spend the money on something which might be beyond the interpretation of the targeting, the ministry has been consulted, and sometimes those consultations have in fact taken the form of negotiations involving a number of people. This was the goal for which the language of the targeting letter was written—"If you can achieve that but go outside the language, that's okay"—but these things are negotiated in fact.

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There has not been, in my memory, and that is three and a half years, an example of egregious behaviour which would require some sanction such as withholding of some amount of next year's grant, for example. One can always do that, of the same targeted envelope. It just has not been necessary, but there is a great deal of talking about interpretations, there is a great deal of talking about whether this particular expense is acceptable under the envelope or not. Jamie could perhaps fill you in.

**Mr MacKay:** The faculty renewal program is one example, where the government is supporting the appointment of 500 new faculty positions over a five-year period. Each position is supported for five years and each year a university has to submit documentation to us that, first, it has hired the number of faculty we are supporting. Then they have to provide certification that the money has actually been spent at the end of the year. Where we have a specific targeted fund, we have usually two or maybe three steps in terms of approving the original expenditure plan, receiving a certification from the executive head of the institution that it has in fact spent the money like it said it was going to, and then an audit report signed off by its external auditor. Because some of these targeted programs have different kinds of attentions than others, we will

sometimes vary those accountability procedures to reflect the actual program. We have threatened on occasion to withhold grants, but we are always able to negotiate a deal once we start making those kinds of—

**Ms Poole:** It sounds like you are quite confident that the procedures in place are working quite well and that there not only has not been abuse of it but that the potential for abuse is quite limited.

**Mr MacKay:** I think you have to remember that the actual amount of targeted funds is relatively small. Most of the funding goes according to this enrolment-based formula. Yes, I would say that for those targeted programs we have, we are quite confident that they are being used for the stated purposes.

**Ms Poole:** My other question was regarding enrolment and entitlement. On page 5 the statement was made, "Until recently and in general, the higher the enrolment and the more academic-activity-intensive the enrolment, the greater the entitlement." Then not too long after that, when you are talking about the weighted enrolment, I had the impression that this historical way of dealing with it had changed. Please forgive me if I am asking a redundant question.

**Dr Brzustowski:** Oh, you are not. I am very happy to explain this. The reference to "until recently" has to do with the fact that the distribution of funds to the universities right now is still governed by the basic income units, still has enrolments and program weights to define entitlement, but it also has the additional condition of something called an enrolment corridor. Enrolment corridors have just been negotiated for all the universities by the Ontario Council on University Affairs.

The universities are told, then, that their enrolment corridor defines the number of basic income units for which they will get a grant. Plus or minus 3% enrolment fluctuations around that number, the grant will not change. It really is a stabilization of enrolments, some attempt to make the funding requirements predictable from both sides. The universities know that if enrolment falls below the midpoint of their corridor, they will lose tuition-fee income. If it rises above, they will gain only tuition-fee income; the upgrading grant does not change.

So while I went into some detail in talking about formula weights and entitlements, the reference to "until recently" had to do with the fact that that enrolment corridor is now in place and the proportionality between additional enrolment and additional funds no longer exists.

**Mr Cousens:** With these transition grants, as you call them, how much does that amount to in this whole cost of running the ministry, having to do with your corridors.

**Dr Brzustowski:** It was the transition from the old scheme to the new scheme. The transition grants are being phased out. Jamie, can you offer a number?

**Mr MacKay:** I believe for the current year \$54 million is going to the universities under the transition grants envelope. A total of \$91 million was committed over a period of five years starting in this current year. It is basically full average funding for each additional basic income unit as institutions move up to these new enrolment targets.



**Dr Brzustowski:** That represents 5% of the total funding in the system.

**Ms Poole:** Do I have time for one more question? It was related to Trent University and I have to declare my bias and conflict of interest in that I am a Trent graduate. I would not want anybody claiming I was trying to sneak a good one in for the Gipper here.

My understanding from what you have said in your commentary was that Trent had established a separate criterion in 1968 shortly after they were founded and that this criterion was not renewed more as a technicality than anything in 1982, although actually, when they were changing the criteria they notified the ministry but did not actually say this is all right. Is that an accurate rendering?

**Dr Brzustowski:** That is close to it. The big change in the 1960s was that Trent decided that marks, performance would be the basis of classifying students either as honours or general. That had been accepted by the ministry at the time. The change they made in 1982 was simply the level of the marks. I saw the letter that had been found in the files. It almost seems to me that if someone had added one more sentence to that letter saying, "Well, this is what we're doing, this is what the senate approved and it doesn't meet with the ministry's approval," the answer could have gone back, "Yes, because it's consistent with what you've done before and what others are doing." But it did not, and the ministry did not reply.

**Ms Poole:** Trent had a somewhat unique attitude towards education. When I went, and that was not too long after it was founded in 1968, our seminars and tutorials were unbelievably small. You might have 12 in a seminar and for anybody going to the U of T this would be incredibly unbelievable.

**The Chair:** Not when I went.

**Ms Poole:** Not when you went?

**The Chair:** That was a long time ago.

**Ms Poole:** That was the Stone Age. Things have changed since then, Mr Chairman. But what I am wondering is, how does the ministry recognize this type of small university with a very different basis, a very different approach to academics where the small unit is very much encouraged and insisted upon? I understand since then that Trent has obviously grown and the tutorials and seminars would be much larger. Do you have anything in your criteria which would recognize the fact that you might have the same enrolment as another university but that the two have very different philosophies?

**Dr Brzustowski:** It is very interesting that this particular question is being asked about Trent. I can say yes, even though the distribution formula based on formula weights and student enrolments does not recognize that. Trent has had, historically, and has again for the better part of two decades now, something that is called the Trent differentiation grant. It is sufficiently differentiated that Trent is the only one that gets it. I am quite sure that the decision that was made at the time to offer that grant to Trent recognized the very point you have just made.

**The Chair:** Was that entrenched?

**Dr Brzustowski:** Entrenched in Trent.

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**Mrs Cunningham:** On this whole issue or I suppose new process of having the Provincial Auditor involved across the province, the end recommendation, as I see it from yourself, is that it was useful at the time. There appears from this report that some universities want to get into it, this value-for-money audit, in the format you may have wanted to or you may not want them to or whatever. In the beginning it looked as if that never was the intent. But you are basically saying it was a useful process probably from time to time and that would be it.

**Dr Brzustowski:** Let me go back to the beginning. I feel that the inspection audits that were formed by the Provincial Auditor were important. They have led to findings which have caused us to improve our practices and procedures and in the two ways that Jamie described in greater detail than I had. There is no question that the process is better, the accountability is better for that. As far as the value-for-money auditing is concerned, I do not see universities having to be restrained from leaping headlong into that. I am not convinced that in terms of universities that is a proven art and I say that also from the position in my former life of having been on a university audit committee for some years.

The fact is that when an institution has as visible an output in countable quantity whose quality is controlled by a lot of independent means, and we know what the inputs are and we know in comparison across university systems within this country that they are using less input, less resource to achieve the same output, then I say to myself that you would have to have a pretty cast-iron method guaranteed to give additional improvements before you spent a lot of time on it. I do not see that that has arrived yet, but I would underline that the ministry finds what the Provincial Auditor has found and the process we have set up for the Provincial Auditor going back and forth with staff and also in discussing changes with the universities and with the Ontario Council on University Affairs—all of that has, I think, made more intimate and solid and has increased the integrity of the accountability process of the institutions. I believe that firmly.

**Mrs Cunningham:** I happen to share your view given the kinds of things I have done in the past as well. Some of these discrepancies, and that is what I would call them, probably based on public policy when it comes to grant formulas and what not for use of a better word, why are they not being picked up by internal auditors? I would say the same about school boards, by the way.

**Dr Brzustowski:** Again, I am not an expert in this area, but I assume that the cost of the auditing deals with the size of the sample and with the materiality limits, and I suppose at a great deal more cost one could increase the size of the sample. One could go that way. I know you mentioned internal auditors. Many universities do have internal audit departments which work closely with the external auditors. Why they are not being picked up is hard to say. I think the universities will have to answer that question, but from my point of view, one part of the answer is



that in addition to the workload, the growth, the universities have faced a great increase in complexity and let me explain that.

One part-time student taking one course is treated as one fifth of a full-time equivalent student, with a normal course load being five. But each part-time student must have an individual admission decision, must have an individual file, an individual student record, an individual set of course promotion decisions and advice from an individual on an individual time slot, so the administrative workload associated with the growth of part-time enrolment, for example, is very significant.

The part-time enrolment is well over 100,000 people at the moment in the universities. So I would say a growth of complexity is part of the problem, but perhaps the university officers who are here will be able to answer the question more specifically.

**Mrs Cunningham:** I did not mean to exclude the external; I meant by both. Given the funding of universities and the amount of work they are being asked to do with the limited amount that they get sometimes, I am not saying people do it on purpose, but from time to time people just say, "Boy, this has been going on for 15 years and maybe I've read it wrong or something." From time to time it is just so tough out there that, given just the description you gave around the part-time, I suppose the better argument would be with the people who put the formula in place in the first place.

My last question has to do with when money is discovered in this way, and it is often a paper transaction, but they are real dollars. For instance, with the University of Toronto it probably would have been \$15 billion or \$16 billion, given the amount of time. What happens to that money? I understand it would have been distributed elsewhere, but that is public money.

**Dr Brzustowski:** First of all, I really wonder the extent to which there is found money. In here the only set of remarks that could identify anything I would label found money is that amount at Trent of about \$1.2 million or \$1.3 million. We are convinced and it is our opinion that U of T has not been overfunded, that in fact that averaged formula weight of the U of T was designed to provide an equitable distribution and we think that is what has happened.

That is speculative, but I do not know what one could do with Trent University. Would one apply a sanction and say one should therefore decrease funding by that amount? The money has not been hoarded; it has been spent. A decreasing of funding could be seen as being punitive and prejudicial to the students there now. That would almost be a matter of public policy. I do not know, off the top, how I would try to deal with that. I want to make sure it does not happen again, obviously.

**Mrs Cunningham:** No. That is all I am talking about as well. I think the University of Toronto was in a surplus situation, was it not, a couple of years ago?

**Dr Brzustowski:** I have not heard of a surplus of the U of T in some time—

**Mrs Cunningham:** I cannot imagine it. It seems to me I read it somewhere.

**Dr Brzustowski:** —but I am sure the people from University of Toronto can tell us that.

**Mrs Cunningham:** That is all right. We will deal with that later on. But even then I suppose that has to do with the difference between budgets for operating and capital. I mean, there is always a deficit if you take a look at what would have to be done with capital, whether it is improvements or new buildings or whatever, so I would agree with you.

**Dr Brzustowski:** Oh yes.

**Mrs Cunningham:** It is hard to believe there is a surplus out there. With their operating dollars I think they may have shown a surplus a couple of years ago.

**Dr Brzustowski:** That may very well be the case, but I think we have to be very, very careful in making sure that we recognize the fact that even though the money, the entitlement, for the operating grant is generated with reference to undergraduate enrolment, that money must be spent on everything from repairs and renovations on an old capital plant right through to paying some of the indirect costs of research that the institution undertakes and everything else. So the money does not flow in straight, well-defined channels from the entitlement formula to the spending in the institution. In one account, in one fund, there may be a surplus; in another fund there may be a deficit. It is the ultimate bottom line for the institution that matters and autonomy to manage their affairs in that way in enshrined in their acts.

**Mrs Cunningham:** Mr Chairman, just to ask the deputy if he could give us some advice before we lose him; at the end of each fiscal year, in most institutions there is not a lot of incentive to saving and having that kind of surplus which could be readily and more appropriately applied to renovations or capital or improvement, I do not think, within our institutions from time to time. I just wondered, in the years you have been involved, if you have any recommendation from your department as to how surpluses can in fact be honestly—because with my question there was purpose to it—designated as being better saved at the end of that particular year to be applied to something more efficiently down the road, rather than the piecemealing and buying of plants that we see throughout institutions as we travel about this province.

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**Dr Brzustowski:** Mr Chairman, that is a very interesting and very important question. I know a number of institutions have measures, have bylaws passed by their boards which allow carry-forward, a forward-year appropriation of a certain amount of money which might be left unspent at the end of the year because some position could not be filled early enough. I know a number of institutions carry forward in this way something up to 5% of their annual operating budget and therefore find themselves avoiding any wasteful rush to expend money at the end of the year.

Funds from that kind of source, money which you have to provide for the full year for a filled position but which may not be spent because somebody has quit or left or whatever, these kinds of funds are very often showing up as a surplus in one account and applied to another account,



and very often to capital to renovations and repairs. It is a very good management practice, followed, I would hope, by most institutions and I know of several specifically.

**The Chair:** The researcher has drawn to my attention that what you may have been speaking of, Mrs Cunningham, was in the *Toronto Star* of 28 November 1990. It was reported that a surplus of \$32 million was discovered in the University of Toronto's 1989 operating budget of \$450 million. That is 75% of that budget or \$333 million in a 1989 enrolment grant from the province. It quotes the auditor as saying that the university allocates the extra money to cover other costs such as capital improvements. I think that is maybe what you were referring to.

**Mrs Cunningham:** I do read that publication from time to time.

**The Chair:** The *Toronto Star*? It is a good paper, actually. Anyway, the researcher brought that to my attention. Perhaps that is what you were referring to.

**Ms Haeck:** Actually, I have two questions, Dr Brzustowski. I also have to admit a certain bias with regard to Trent. Also being a grad, that makes two of us. I am not sure how many other are closet Trenties.

In any case I am somewhat concerned that as of 1982 we have a situation where the university informs the ministry of a particular decision and basically we just sort of discover somewhat later that maybe something should have been done. How is it handled? Is there some flagging system now of pursuing that kind of letter as opposed to basically receiving it and filing it?

**Dr Brzustowski:** Indeed there is. In a nutshell, it is handled much more crisply now and it is even made quite explicit in the revised grand manual. Do not assume that any approval which is just a minor change on the previous arrangement or any arrangement which is a minor change on the previous arrangement will be approved unless you seek that approval. That is made explicit and there is no difficulty with institutions following that now.

**Ms Haeck:** To follow up on something that Mrs Cunningham had pursued I think across the whole system, the whole issue of deferred maintenance is a rather large issue. I know that both gentlemen on either side of you are probably well aware of the figures involved. Possibly they could illuminate the rest of the committee as to the obligations that the universities are truly faced with with regard to the issue of deferred maintenance.

**Dr Brzustowski:** I think that is an issue. The number that comes to mind most readily is because one university—not Trent; Queen's in this case—actually performed an audit of its physical facilities two years ago and at that time identified the cost of deferred maintenance that had to be done as something of the order of \$25 million. That was one university. Admittedly it is one of the older universities in the province.

The University of Toronto undoubtedly has a great burden and a much larger burden simply because it has more buildings, and some of its deficiencies are legendary. This is a problem which will grow with time. We have a number of buildings which were built in the 1960s, at a time when energy was dirt cheap and energy conservation was

not part of building design. Some of those buildings are suffering in ways that are more than just ways that give you a choice whether to fix them up or not. You have moisture in the brick and all sorts of things, bricks falling, walls having to be replaced.

There is a real problem which will be growing with time, and if enrolment stopped growing in the universities, one could imagine that the amount of money for new major projects might decline with time, at the same time that the amount of capital required for repairs of existing plant might grow, which would tell me that over the next predictable decade or so, maybe two, one should not look for any possibility of a decline in capital funding even if enrolment stabilized, because of that very reason.

**Mr Daigeler:** I have a couple of questions. First of all, I presume there will be somebody from the ministry for the rest of the week in case we have any questions with regard to the specific universities.

On this whole question of different grants for honours and general students, in reviewing all of the material, there seemed to be some question as to whether it still makes sense to provide different funding for those two levels. Presumably the difference in grant is based on that it costs more to educate the honours student, but from what I have seen here, this does not seem to necessarily be the argument everywhere. Why are you, even with the changes here, maintaining the granting difference between honours and general?

**Dr Brzustowski:** It is a very interesting question, and I think the perception is right. The funding formula had its roots, I think, in a cost study or the cost studies performed in the early 1960s in one institution and certainly the relative weights of that time were a snapshot of the relative costs of various programs.

I think sitting here we could identify a list of reasons why an honours program should cost perhaps significantly more than a general program—on the science side, simply a greater number of laboratory periods; in the arts, social sciences and humanities, a larger number of seminars in smaller groups, more essays to be written, read and commented on, perhaps a richer selection of library holdings to support fourth-year papers, things of that sort. So there certainly is a very well justified basis for them in their costs.

It is obvious that when the change was approved for Trent in 1968, obviously another set of arguments had been brought forward within the context of Trent, which is unique. The students who were able to do more were apparently drawing more heavily on the resources of the institution, and that was the argument made at the time. I could not guarantee that today the costs are in proportion to the formula weights.

**Mr Daigeler:** This is what I seem to have picked up, I think, from the auditor, that while in theory it makes some sense, it stands to reason, do we really have evidence that in fact these students are using more resources and are given more resources?

**Dr Brzustowski:** No, we do know that. We know that students who are enrolled in honours programs, more is



expected of them. They have to do more work. They have to have more contact with teaching staff. They have to draw on the library more. We do know that. You can find that in the calendars of the institutions. It is simply the requirements. Whether the costs are in the same proportion as they were 20 or 25 or 30 years ago, I just could not say for sure. But, just by reciting a list of what I see when I go to the institutions, I could very easily identify factors which are more expensive in connection with honours programs.

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**Mr Daigeler:** You have some questions, I guess, regarding the value-for-money type of audit, but you do not seem to have any questions with regard to the audits that have taken place so far. Again, if I read right—the auditor himself may want to comment on that—he was envisaging only inspection audits for the small university, the medium-sized and the large and then possibly stopping this process. I do not know whether that is correct or not. From your perspective, would you encourage these kinds of audits that we presently have to continue in the future, or do you wish to comment on that at all?

**Dr Brzustowski:** My feeling is that they have proved valuable. They have resulted in improvements. I think it would be for the Provincial Auditor to judge whether in his opinion his resources would be well spent in such audits to find more potential improvements or whether he and his staff think that they have found generic problems that are likely to be found and any additional investment of resources would need to have diminished returns. I cannot say that. We from the ministry have found the inspection audits of value and have, we think, materially improved our practices as a result.

As to the value-for-money audit, if, for example, an attempt in a value-for-money audit was to decide on methodology of instruction, one method versus another, I am not sure on what body of expertise the people conducting the audit would draw unless they in fact called on the academics themselves, and they are in that business of trying to improve things under the pressure of trying to be more productive all the time anyway, so I really wonder what significant improvements might arise from the additional investment of effort.

**Mr Daigeler:** I think what is at stake here really is perhaps the confidence of the general public in the spending of the university sector. I really get a sense that while the universities and, I think, the ministry itself probably are quite convinced that there is underfunding, I am not so sure whether the general public feels that same way. They have a perception that universities are way out there, and nobody really takes too close a look at what they are doing.

So I think in the interests of the universities themselves, to increase the public confidence in activities of the universities, first of all, I certainly would hope that the auditor would continue working in this field and, second, if some form could be found that protects the independence of the universities and at the same time reasonably assures the general public that its money is very well spent

there, it would probably go a long way towards finding that extra money from the public purse that the universities are needing. It is more a comment than perhaps a question. You might want to react to it.

**Dr Brzustowski:** I think it is a very important comment. I certainly believe that the public must perceive all publicly funded institutions to be spending public funds effectively and to the ends that have been endorsed for them. Whether a continuing round of inspection audits by the Provincial Auditor would help develop that perception, I cannot say. I do not know.

I am quite sure that the improvements which we are making as a result of these three audits will make accountability a little more orderly. I think that some sort of a plunge into a value-for-money audit at this stage of the game would have to be documented with very significant results before it attracted universal attention or even became credible.

Perhaps—and I do not mean this as a snide remark, Mr. Chairman—the best mechanism for assuring the long-term independence of the universities and freedom from government interference and excessive detail is to keep MCU as small as it is. We have about three dozen people running this \$1.8-billion system. The only reason they can do it is that they draw on the resources of others through open, working relationships with the Provincial Auditor, with the Council of Ontario Universities, with the Ontario Council on University Affairs. Everything is networked, information is shared and there is a climate of trust and openness which has government working in a very significant enabling way rather than in terms of scrutiny. Whether the public perceives that or not I cannot say, but I think public funds are very well used in that system as a totality.

**Mr Cousens:** One of the sections, and it is more for information I would like to have it, but at the University of Guelph—and we will undoubtedly spend some time with them when they come and visit us for their social time—the acquisition of microcomputers by them illustrated the way in which the university failed to follow some guidelines that I know are implicit to Management Board of Cabinet guidelines or from within the government itself, and it raises the question as to general direction and guidance that could be given at the ministerial level to the different universities and institutions.

Is there a guideline for tendering to individual universities from the ministry, and if so, could you describe it a little bit? If not, why not?

**Dr Brzustowski:** I am not aware of any guidelines. I stand to be corrected by my staff. Obviously it has not surfaced in three and a half years. The simplest answer I could give is that the rights to spend money in all matters of purchases dealing with resources, and all matters of human resources as well, is expressly vested in the universities in their university acts. That is the simple reason. I cannot go beyond that.

**Mr Cousens:** This is very early because—



**The Chair:** I wonder if you could move forward so that we can pick you up. We want to preserve your thoughts for posterity.

**Mr Cousens:** Thank you very much. They appreciate that. I do not know whether I do or not.

**The Chair:** Sometimes posterity is very short, as many of us have seen around here.

**Mr Cousens:** In that case, there is no present way in which you could, at the ministerial level, establish guidelines that would be used for different universities. I think that what happened at Guelph could well happen in other places with the acquisition of microcomputers and I would then ask, is there no way in which they can be pointed in the direction as to what is done under Management Board? It is obviously not something you have thought about.

**Dr Brzustowski:** No, and as I think about it now, I know that the first question that would be put to me if we proposed, even convened a meeting to discuss what should be in such guidelines, would be, by what authority? And I do not know what answer I would give.

**Mr Hope:** I am no university student, so I guess I will not be offended if I nail somebody for this. As a worker who has represented workers, and I look through the report and we talk about the surplus, and the surplus usually is generated from student dropout, which is caused by financial difficulty to some families who cannot afford it because their parents are governed on asset, they have a hard time staying in the schools and providing their education.

I personally feel the government has a major role in involving itself in universities and also in community colleges to make them accessible for people. What I am finding out in talking to a number of people in my community who have gone to university, they talk about extreme costs. Number one is the distribution of funds versus the ability to pay and the ability not to pay. But I think that this government should have a role in making its voice well heard.

I also feel that we have a long way to go because of the job market out there. In a recessionary time, more people tend to lean towards community colleges than universities for their education, and if we leave it in a minute number of hands of governing which ones will have access to the schools, I guess the ones who are going to be victimized are the students. That is what we have to make sure, that we as a government look at all avenues and make sure that the students' protection—the willingness and the ability to perform in that school may be there, but the financial contribution on the part of the family is not there and I think this government does have a major role it can play.

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Maybe I am stepping a little off guard, but I was one of these people whose parents supposedly had too much in assets and I had to seek part-time employment, and seeking part-time employment does not pay for your school tuition fee and keep you in a viable university to make sure that your education will come out quality. I have no regrets going back to the workplace and coming out with the knowledge that I have, because I have understood more about working people and their ability, and I think this

government does that major role, to make sure that it starts looking at the universities and also at other institutions of this nature to make sure accessibility is there. It is one of the key issues.

**The Chair:** Is that a question, Mr Hope?

**Mr Hope:** That is commenting. All the questions were put by others on the issue—

**The Chair:** I am being facetious, really.

**Mr Hope:** —as three or four questions go by and you are only entitled to one.

**The Chair:** Would you like to comment on that?

**Dr Brzustowski:** Yes, I would. A very important point is being raised. The accessibility of the Ontario university system has been probably the guiding policy ever since I have been here and government has a very direct hand in that, in funding for the spaces available for the enrolment but also in explicitly controlling tuition fee levels. Even though tuition fee levels are an explicit power of the board's through the acts, nevertheless government, by announcing a policy on its own transfer and grants, controls tuition fee levels. If the tuition is raised above what is allowed by government, then the grant is decreased, so tuition fees are controlled.

You raised two very important points. One is the need for people to turn, very often at a time when the economy is down, to the post-secondary institutions to raise their qualifications. I think we may be seeing that again; second, the whole question of student assistance which makes it possible for those people to turn to those institutions at that time.

There is no reference in here to student assistance, but members of the committee should know that Ontario spends about \$200 million a year providing student assistance for about a total of \$400 million—half of it in loans—to about 100,000 students, and there is no question that if more money was made available for student assistance, additional categories of people could be brought in to be eligible. One could spend any amount.

Tuition fees are only about one fifth of the student's cost and the point is very well taken that there is a cost to going to university, there is a cost to going to college. Much of that cost can be forgone earnings, but much of it is out-of-pocket expense for tuition fees, books, room and board and so on. Providing assistance is one of the aims of government and it is an issue that is discussed in a different forum than this, but the policy of accessibility, I think, should be taken as underlying everything that is in here. All of that growth that has taken place that I have referred to was a response to the policy of accessibility.

There was a very short period of about three or four years when the enrolment of universities grew by the equivalent of a new University of Windsor and a new McMaster University with no new institutions being formed.

**The Chair:** Just to follow up on something Mr Hope had said, if I could have the liberty of asking, that was what concerned me about Trent University's approach to grants. Putting it on the basis of marks, would there not be the danger of making elitist and restricting or denying access



to many of the kids who might get in if it was done on the basis of an arts program versus an honours program versus a science program?

**Dr Brzustowski:** Well, "élitism" is a bad word in our society.

**The Chair:** I did not mean élitism, but certainly denying access to young people who perhaps are not as intellectually gifted as the other people. If funding is on a mark basis, then one might conclude that in an effort to get the maximum dollars this might eliminate people who perhaps on a different level, perhaps on the level of funding that is used for other universities, would have gotten into that university.

**Dr Brzustowski:** That is a very interesting thought. I must say that when I spoke about Trent and the proposal that had been made in 1968, I do not have the reasoning presented by the university at that time. I was inferring that one could identify an additional cost of the honours students on the basis of their marks, because the students who have achieved more in the university will be challenged to do more and will use more resources.

Your point is well taken. If funding were to be dependent on marks and that went into an admission decision, then it might lead to consequences that would be bad social policy. The fact is that the admission decisions are made on marks. Programs are filled from the top down, very often. But most institutions give very serious consideration to individuals who have marks above the minimum, even to the extent of interviewing them to see if there is some experience, some particular aptitude, something which does not show on the paper record which might make that person a good student.

We have always felt in the ministry that the issue of financial support and the ability to get in and the issue of marks were separate. We can address the financial support to the extent that the ministry has the budget through OSAP. The other is within the purview of the universities.

It would be very interesting to see what the record is of people who are admitted with marks marginally above the cutoff. I do not have hard data on this but I do have some suggestions that people who are admitted close to the cutoff are the ones who most often drop out. That is the reason the ministry is trying to respond with programs of a transition or bridging nature or targeted funding for remedial programs, things of that sort. How much of a problem that is, I do not know, but you do raise an interesting consideration. I do not know how much of a problem that is.

**Ms Poole:** Based on your answer to Mr Cousens, I may already have a short answer in mind to the question I am about to ask, but I will ask anyway. It is relating to the poor safeguarding of university assets that the auditor noted, if my memory serves me correctly, in all three of the universities he audited. I can appreciate that you have made it very clear in your presentation that you have certain statutory jurisdictions and the university has others. That notwithstanding, do you as a ministry have any guidelines which would suggest the proper maintenance of assets and records relating to assets?

**Dr Brzustowski:** No, we do not, but I know that a number of universities have their own policies on that developed by their internal audit departments. But we have no guidelines.

**Ms Poole:** Would you feel that would be intruding on the universities' jurisdiction, to even try to come up with some complementary guidelines?

**Dr Brzustowski:** I guess the question put to me always would be: On what authority? How can you make it stick? I suppose if we were asked to help to provide guidelines based on the experience of Management Board, we would be only too happy to do so. But to make them stick is another issue.

**Mr Johnson:** Is it 5% of the Ontario budget that is administered by the government that goes to colleges and universities or universities specifically?

**Dr Brzustowski:** It is about \$1.9 billion out of \$42 billion or \$43 billion.

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**Mr Johnson:** That is about 5%. When I read some of this literature I had, I was a little concerned about some of the inconsistencies. Certainly we want to review the expenditure and assure the public of Ontario that the dollars are accountable. One particular university, when it was looking at how its students met the criteria, whether they met the criteria or not was not as important as whether in fact they were even there, and some of them were not there. Whether this was deliberate or whether it was an accident, it seems to me that losing the status of 600 students is something that is not insignificant. Certainly, it is good that it was brought to our attention by the audit. Do you think that universities, which are autonomous institutions, deserve closer scrutiny with regard to their accountability?

**Dr Brzustowski:** It is a very short question with potentially a very long answer. There is no question that that particular example brought to our attention by the inspection audit elicited a very prompt response, that is, "You just don't do things like that" and "Now hear this" went out to all the institutions as part of the grant manual.

I am all for effective attention. Effectiveness and economy are the themes here. I am all for effective attention. If we can devise some means which will effectively increase the accountability—the point that was raised earlier—make it visible to the public that the accountability has been increased, avoid mistakes of that sort, if such a procedure exists which still honours for all the good reasons that it should be honoured the autonomy of the institutions, then by all means let's have it.

I do not see such a set of procedures sitting on the shelf ready to be used, but certainly we believe that the inspection audits we are discussing here today have been a positive step. I imagine that if the Provincial Auditor chose to pursue that course of action, he may at some point decide that it was not fruitful any more or he may decide at some point in the future that things are being found which warrant the exercise, the ministry's response will be altogether positive regardless of which that finding is. We will make the best use of whatever information is found to make the system always as accountable as it can be. No question.



**Mr Johnson:** The board of governors presently is responsible, as I understand it, to no one? They are in limbo. Is that correct? The self-imposed audits of the universities are scrutinized by the board of governors and that is the end of the line in the audit. Is that correct?

**Dr Brzustowski:** Their powers are specified by an act of the Legislature. Many of them, though not all of them, are required to produce a financial report for the Legislature each year. There are order-in-council appointments on each of them. David, help me with this. I am not aware of any specific accountability mechanism from the board to the Legislature.

**Mr Lyon:** I am not aware of any obligation on the part of the board of governors other than that stipulated in their acts to submit to the ministry the financial report or annual report, whatever the language is in the legislation. Eight of the institutions are required by statute to have their reports tabled in the Legislature.

**Mr Johnson:** And the rest are not?

**Dr Brzustowski:** The rest are not.

**Mr Johnson:** This is just my opinion. It seems that close scrutiny is valuable here. It certainly tightens up where the dollars are allocated and how they are used. Some of the records that are kept would be done in a way that I think would be perceived to be better if it was more closely scrutinized.

**Ms Poole:** Mr Chair, may I have a supplementary to Mr Johnson's question?

**The Chair:** You are next on the list. I am sorry—Mr Daigeler is next on the list. Mr Daigeler, would you allow a supplementary?

**Mr Daigeler:** As long as I come after her.

**Ms Poole:** This will be very brief. You mentioned that eight universities have acts of the Legislature to which they are subject?

**Mr Lyon:** No. Eight of the institutions have provisions in their acts that require their annual reports to be tabled in the Legislature.

**Mr MacKay:** They were all created by statute except for the Laurentian affiliates. But the acts, because they were passed at different times, have different provisions in them. Whether or not an institution is required to provide an annual statement to the Legislature, they certainly all provide them to the ministry, and we do look at the audited financial statements as well as the audited enrolment statements for each institution. As the deputy noted in his remarks, we also have a document produced by the Council of Ontario Universities which reports on the financial, both expenditures and revenues, for each institution in a common format. That certainly helps us in terms of that kind of scrutiny: What are the individual institutions spending their money on? How much is spent on salaries across the system? If we want to see how each individual institution compares to that, we can do so.

However, one does ask the question at a certain point: What is the purpose of that scrutiny? We certainly want to know whether they are running high deficits in their operating accounts, because we want to be able to advise our

minister whether there are going to be requests for special funding or bailouts or that kind of thing.

But, once again, because we do not have the legislative authority to direct the universities in detail as to how they will spend their money, the actual scrutiny of their statements is something we do not put an awful lot of time into.

**Mr Daigeler:** I have been able to take a very quick look at the document that I think unfortunately we just received today, the letter and summary report from the auditor, which kind of highlights his overall impression on the audits he has done on the three universities. I think there are a number of issues that arise out of that document.

By the way, Mrs Cunningham, the surplus you were referring to seems to be have been even higher than what was reported in the press. On page 7 of that document, the auditor is reporting, "However, we noted that in fiscal year 1988-89, the University of Toronto had accumulated an operating surplus of well over \$50 million, which was transferred to a restricted fund." We may want to ask the university when it comes here how that fits in with the underfunding.

My main question here, and I am not sure whether it is fair to ask the deputy minister that question, because I think we probably ought to ask that at the political level, and the minister himself—the final sentence in the Provincial Auditor's report I think is a pretty scary one, and I do not think for the general public a very reassuring one: "Accordingly, we are of the opinion that accountability for the significant amount of funding provided to Ontario universities remains inadequate."

**The Chair:** I think to ask a question like that of a deputy minister is not appropriate. It is really a matter of policy.

**Mr Daigeler:** I agree with you. That is why I am asking whether we have an opportunity—I saw that on Thursday there is an opportunity for discussion. Will the auditor still be here?

**The Chair:** The auditor is with us constantly. He is auditing us, in fact, to determine whether or not we are giving quality for—

**Mr Daigeler:** I will be here only this week, but we will have an opportunity to talk with the auditor on Thursday, then?

**The Chair:** Oh, yes. Sure.

It is interesting that the audits that are done for the various universities can miss these things. I guess I have two questions. One of them is policy so I will not ask you, but is it the feeling in the ministry that these audits are sufficiently independent enough, or is it because the auditor is independent and goes in as a public figure? I am trying to be very diplomatic about this and sort of pussyfoot my way around. In other words, if you pay the piper, if you are doing the audit for the particular university and it is paying the tab obviously, are you going to be a little less independent than you will be if you are the Provincial Auditor? And if that is the case, should the audits be done by an independent auditor?



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**Dr Brzustowski:** Let me try that, Mr. Chairman. Then I will pass it over to Jamie, on my left.

**The Chair:** If you feel uncomfortable with that, do not answer it.

**Dr Brzustowski:** I do feel uncomfortable, but at the same time I may be able to shed some light on that.

It is a question that audit committees of boards of governors struggle with and it is a question that is always pressed by external members of these committees. The audit firms that work for the universities are reputable public auditors. In fact, one large firm, which as I understand it has been auditing a number of institutions, has an internal group in which it discusses within the firm the kinds of things that come up and makes sure that if something has arisen in university A, they will look at B, C, D and E as well. So there is that aspect of it.

It is an issue that we have addressed in one way, and Jamie will mention that first very briefly, in response to one of the things that has happened. We have no basis for thinking that the audit we are getting is anything less than totally independent. I am not aware that the ministry has ever had any basis for questioning the integrity of the audit, but we have tried to help that along with this latest development.

**Mr MacKay:** I mentioned earlier that we developed this questionnaire which we are going to require the external auditor to complete upon his completion of the enrolment audit. We are certainly hoping that will help bring things to our attention and we will become a little more informed about what goes on between a university and its external auditor.

To be frank with you, when we got the Provincial Auditor's first inspection reports, we thought we had enrolment audits. We could point to an enrolment audit and say there were no problems. Now we see that there can be some problems in reporting despite the existence of these, so how can we make the rules clearer so that external auditors do not miss things, and how can we get some feedback on what is happening during these audits? That is the rationale for the questionnaire.

**The Chair:** I guess spot audits by the Provincial Auditor from time to time may keep things a little tighter as well.

Just finally, if I could—Mrs. Cunningham wanted to ask a question—I just wondered, this thing with Trent University really bothers me. There is a suggestion of \$11 million by the auditor, and in your address you indicated that it is really \$1.3 million. I gather that is because they did get approval for everything from 1968 to 1982 on this new basis they had of getting funds, and the reason for the \$1.3 million is that they did not get it from 1982 on. Am I understanding that correctly?

**Dr Brzustowski:** I think, Mr. Chairman, yes. It is a matter of timing. Had we had been able to locate evidence of that 1968 approval before the Provincial Auditor finished his work, we would have brought it to his attention immediately, but we located it only after he had finished his work.

**The Chair:** Just for the purposes of our report, because we will do a report from this, do I understand then that that is not saying that a fixed amount of those students were honours students, as opposed to general arts students; it was on the principle that Trent established of the marks of students?

**Dr Brzustowski:** Trent has established a principle, which was accepted in 1968, that a student will be deemed to be an honours student on the basis of the marks that student has in the program.

**The Chair:** But an honours student traditionally was one who went on for a four-year degree as opposed to a three-year degree. Would the auditor's report have looked at it from the standpoint of the criteria that are applicable to every other university? In other words, what percentage of honours students do you have versus what percentage of general arts students do you have? Would that be how he arrived at the \$11 million, and because Trent changed the approach—

**Dr Brzustowski:** I will ask Mr MacKay to answer that.

**The Chair:** I would like to know that, because when we do our report that becomes rather important.

**Mr MacKay:** I think it is important to point out that most of the universities do now have and always have had what we call a differentiated program of studies for an honours student in arts or science; in other words, prescribed courses and programs that a student taking an honours program has to complete.

In the case of Trent and another university, back in 1968 they made a conscious decision not to have a differentiated program of study. In other words, as a second- or third-year student, you would not be in an honours or a general program. If you were going to graduate with an honours degree, there were certain things you had to have by the time you finished your fourth year, or you could decide to graduate after three years and graduate with a general degree. So both Trent and the other institution had no way of identifying any student as an honours student when he was in second or third year.

So the decision was made that in lieu of that differentiated program of study and a very clear indication of whether a student was honours or general, the ministry would allow those institutions to use marks as a differentiator for reporting purposes only. In other words, if they established a mark of 75% for an honours student, any student in arts or science in second or third year at Trent during that time with over 75% would have been funded as an honours student. He would have been reported as an honours, even if that student was not planning on doing a four-year degree.

That was approved by the ministry. Subsequent to the Provincial Auditor's inspection, we did find documentation dating back to 1968 where the government had said, "All right, in recognition of the fact that these institutions do not have an honours program of study, we will allow them to report students at a certain level." But we said the ministry would reserve the right to decide whether that



was an appropriate criterion that they used to distinguish the student for reporting purposes.

What happened in 1982 was that Trent decreased the mark that one needed to be counted as an honours student. That had the effect, of course, of having more students—

**The Chair:** That would have made me an honours student. They never did that when I was in university.

**Mr MacKay:** Our understanding from our discussions with the Provincial Auditor's staff is that because nobody had shown them any indication that Trent had that original approval in 1968, they made their calculation dating back to the early 1970s in terms of the excess revenue which they deemed Trent to have received. Our calculation, based on our understanding of how the formula works and so on, only went back to 1982, because that is when they changed. That is when they did not have our approval for using the new mark, if that explains the difference there.

Our advisory council has done a study upon which the advice we have received is based, looking at every institution in the system and the ratio of honours to general students, and there are quite some differences. Some institutions have historically had much higher levels of honours students than others, but they will all be required to report on the same basis beginning in 1992-93, including the University of Toronto and Trent.

**Ms Poole:** I just want to be perfectly clear about this. The \$11-million overpayment that the auditor had calculated, was that based on the fact that Trent had no honours program and therefore should not get a weighted amount for any of its students?

**Mr MacKay:** I do not think that is exactly how they calculated it.

**Ms Poole:** Maybe I should ask the auditor.

**Mr MacKay:** Now, we are going back about three years since we had those discussions and frankly had some technical differences, if you will, as to how the operating grants formula works. It is extremely complicated. To tell you the truth, I would have to go back and check some of our correspondence in detail and perhaps consult with the Provincial Auditor's staff to conclude exactly where our difference was. Our ministry certainly took the position that there had not in fact been an \$11-million overpayment.

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**The Chair:** I think we should maybe let the auditor address that because that is important in terms of our report.

**Mr Archer:** In that situation, I thought that we had resolved the difference. The difference of \$11 million versus the \$1.3 million came up, I guess, a couple of years ago at the time the audit report was submitted. I thought we had resolved it and agreed between the two groups that \$11 million was an accurate figure. However, I sense from the ministry's response today that we did not resolve it and therefore we will get back to the bottom of this and report to the committee before the week is out, whether we agree or disagree with the \$1.3 million.

**The Chair:** That might be important too.

**Mrs Cunningham:** Dr Brzustowski, I am not unaware, I am sure you are not either, of the overall comment of the auditor, which I think at least for those of us who are representing the public, only increases our frustration around what to do next or where we can be helpful, because I think at the same time we have a responsibility to maintain the confidence in our universities. I see my colleague over there shaking his head. We have lots to talk about from time to time, just not enough time to do it.

If we do not maintain or enhance the confidence of our universities, I feel that we are talking about a competitive economy and the availability of people to work and find jobs and have jobs in the next decade or two. It simply will not be there for Ontario, so I come from listening a lot to the advice we get wherever we go as legislators. At the same time, I sit here in frustration because I listened to Mr Prichard before the standing committee on finance and economic affairs last week talking on behalf of the Council of Ontario Universities with regard to the tremendous challenge and the critical situation we find ourselves in.

I was at the University of Western Ontario along with eight of my colleagues from southwest Ontario—New Democrats, I might say. I am a bit lonely there, but they are awfully good at what they are doing.

**The Chair:** A bit lonely where? In your area?

**Mrs Cunningham:** Yes. What about yours?

**The Chair:** We are really quite comfortable. We have a lot of colleagues close by.

**Mrs Cunningham:** Mr Chair, I have to give my colleagues credit. I mean, they were there and trying to find out what is going on, to the best of all our ability, and asked some very good questions. But this whole frustration around the enabling act, the responsibility as the government sees it, with the accountability being for the universities to the public. I have been part of that and gone to the annual meeting of the university and understand; I mean, it is not very well attended.

Then we take a look at the external auditors, the limited assistance that they can give us, at least in my view as I have tried to follow things over the years, when we see things being fairly presented. The finance people may get some consolation out of that. I do not get a lot myself.

Then when we take a look at the inspection audits, I was thankful that they were here. I think anything we can do help the universities be better at what they do and be more accountable is most helpful in our work, because the bottom line is there is not a lot of public support, in my opinion, for increased funding for universities. Yet for those of us who know the effect that this will have on the economy, it is devastating to realize that one needs a lot of public support to put the money in the right place in this great institution that we are all part of.

I see it as right now we need a new way of being able to advise each other and be able to get to the bottom of what really ought to be happening at our universities and who should go there and for what purpose. I personally do not have an answer, but I do not think that spending a lot of time on this—I mean, it is important and I am glad we



have done it, but I think that the auditor has only added to my concern around this whole issue of accountability.

Can we be assured that money is being spent in the right places, the appropriate courses are being offered, the whole issue of professors making a major exodus in the next 15 years with no, in the words of the government, plans for succession or money there? I find us in an incredible position. Would you like an opportunity for your parting shot or recommendations?

**Dr Brzustowski:** Oh, I would love one, because I—

**Mrs Cunningham:** Because you can see that I am sincere in what we are trying to do. I can see the interest of my colleagues. I hope this particular government will not put politics before the interests of the students and the faculties, or hospitals or anything. But we are frustrated as to what to do next.

**Dr Brzustowski:** Well, the invitation to offer comments on this is perhaps the greatest challenge I have had in a long while. I would just make—

**The Chair:** Do not answer that last question, though, because—

**Dr Brzustowski:** No, I cannot speak about that. There are one or two other parenthetic comments I taught myself not to react to here.

Accountability for the use of public funds by public institutions is essential, and that accountability must be effective and it must be visible and it must be trusted by the public. Having said that, I would invite the committee not to overlook the obvious accountability for the money spent in the universities: known numbers of people graduating from programs of known quality at a unit cost lower than anywhere else. I would please invite you not to overlook that as an element of accountability.

But the accountability of the university in a social policy sense, which was the much more difficult question that was implicit in some of your later comments, Mrs Cunningham, is an extraordinarily difficult one, because for reasons of maintaining a place of learning free of the influence of vested interests or of the government of the day, we have established the tradition of university autonomy. At the same time, we deal with an expenditure of a large amount of public funding at a time when social policy has identified problems that need to be addressed.

The question of how one brings closure between the two is really a question that, I think, is before the members of this committee and the entire Legislature, the civil servants, the people who run universities and the public at large. It is a huge question. Where does one reach the balances between autonomy, which makes the learning process free of the influence of vested interests and, at the same time, where does one sacrifice that autonomy so that the institutions might be instruments providing solutions to society in those areas of social policy where they are uniquely qualified?

In the best of all possible worlds, the universities would rush to offer solutions to these problems by themselves, but we both know that attitudes in the universities range over the whole spectrum, from those who wish to do that to those who might wish to do it if they had thought of

it but would resent anybody else thinking about it. That is going to be with us for some time. It is a structural feature of our society. It is a question of balance. It is a long-term issue. It is the most difficult question that has been put to me today. I wish I had the answer. I am sure there is no silver bullet on this, but the issue must be engaged.

**Mr O'Connor:** Thank you for that eloquent question just asked, Mrs Cunningham. It was actually somewhat along the lines I was thinking, as far as how we audit some of the target fundraising to make sure it is free of any bias as far as the university and the programming is concerned.

**The Chair:** You mean other than government?

**Mr O'Connor:** Of course, we are completely out of it. This document here, which we just received, and the changes in this manual, I do not know if I am correct in assuming, are part of the results of the audit that just took place. One thing that goes back to what Mr Daigeler said earlier was: How do we measure the change? Should we maybe go beyond it? How do we follow up to make sure the changes that do take place as a result of this—how do we measure it? Somehow or other, there should be a measurement upon this to make sure the changes in here are adequate enough. Maybe there need to be more changes. Is the questionnaire enough? Do we need more public consultation with not only the providers of the education but the consumers of that education down the road? Maybe you could spell some way we could measure it.

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**Dr Brzustowski:** That is a challenge. Let me try to deal with the issue of measurement. Presumably, if the Provincial Auditor were to perform some inspection audits after this manual with its changes had been in place for a year or two, and found that there were fewer problems, we would say the changes had been successful. I do not know whether the Provincial Auditor will wish to do that, but that would be one way of doing that.

The latter part of the question I find extraordinarily difficult, because to me, the only significant measure of the quality of an education is what the people ultimately achieve who have been through the system. How does one measure that? When does one measure it? I do not know. We are far better dealing with inputs than we are with outputs. When government identifies a need or a need is brought to it with sufficient frequency and our government responds to it by identifying it as a priority and then a program is set up to meet that need, is that a measure of response or is that just a measure of an additional input? It is probably the only thing we can measure in the short term, but whether in the long term it is the right thing to do, I cannot say.

I must say I find the last two questions philosophical and difficult. I am not aware that there are a lot of answers around in the English-speaking world or perhaps anybody else who has universities. I just do not know. These are the imponderables.

We are good at providing inputs. If government has been told there is a need for workers in, say, the rehabilitation sciences in a particular region of the province with a particular language skill, and as a result of the ministry's



effort, a program to train these people for that area and for that language skill is ultimately open and that program meets quality standards, that, perhaps, is as much satisfaction as we can find in the short term. Whether in the long term those people stay there, whether they provide that service, whether the need for the service evolves and they evolve with that need, that is a longer-term issue. I would welcome a few easy questions after that.

**Mr O'Connor:** This goes to the point of public consultation, which this government is probably famous for, but ultimately we are accountable to the people of Ontario when it comes to dealing with the money we handle through the ministries, and we want to make sure that everything is handled as properly as it can be. But I would think, ultimately, there has to be some way of measuring it down the road after an audit has been performed.

**Dr Brzustowski:** I think that we can do. With the Provincial Auditor's help, I think one can look at the effectiveness of the changes by doing some inspection audits some years down the road. I think that is possible. I think some of the changes here are such that if they have improved the methods, then certain kinds of problems should not appear any more. I hope that that would be a simple measure. But on the other one, the measures of output based on people who graduate from what programs may be the best thing we can do in the finite term.

**The Chair:** We have reached 4:30. We can continue if you like. I do not know whether there are any more questions from members. We will have the ministry staff around here tomorrow and, as I understand it, perhaps throughout the week, or somebody from the ministry.

**Dr Brzustowski:** There will be people from the ministry throughout the week.

**The Chair:** I would like, in closing, to re-echo your comment that the cost of education in this province, perhaps in this country, is very inexpensive in comparison to what you would pay for an equivalent degree in the United States. I consider the U of T and some of our universities to be in line with many of the best US universities, and you would pay US\$15,000 to US\$20,000 for an education there. Granted, I guess if you factor in all the things like tax deductibility and the fact that we do pay for it through taxes, maybe it comes down to the same amount. I do not know. But I think we get an awful lot for the money that is paid for it. I know a lot of students out there would not agree, and I perhaps would not agree either, with my kids, with the difficulty of earning money during the summer to pay for it, but I think we do get quality education for the money.

I guess the final thing would be that university degrees these days, particularly just bachelor degrees, unless they get a large degree of co-op education involved in those periods when they are getting their degrees, a lot of these kids cannot even get jobs when they get out. They have a curriculum vitae that has, "I cut lawns for two summers," on it. They usually have to take a job with some mundane placement in order to get something on their CV so they can advance to a job. It is unlike when I got my university degree 25 or 30 years ago, that that got you the job over the next applicant who did not have one. That does not mean anything any more today. Just to respond to Mr Hope's comments.

**Mr Hope:** Just to respond to your comments: Who is liable? Who is the employer stipulating work experience, where these students are having a hard time? When they do get out, they have to have two years' work experience.

**The Chair:** That is right. That is what I am saying. What I am saying, though, is that until we bring that sort of involvement of part work, part university, all the way back up to the level of the university, certainly for an arts degree as opposed to a specific degree, we are going to have a lot of university students who will be out of work.

I am sorry, Ms Poole, you wanted to say something, too.

**Ms Poole:** It was just a comment regarding the fact that we seem to have a discrepancy between the auditor and the ministry as to the Trent situation.

**The Chair:** They are going to discuss that.

**Ms Poole:** That is right, and I understand Mr Archer is going to look into that. At the time Mr Archer reports back to the committee, I wondered if perhaps the appropriate person from the ministry could also be in attendance, if they could be notified in advance, so if there are any questions—

**The Chair:** I think that would be a good idea, if we can impose on you, because it will be important to our report, that may be an issue that will go into our report. If there were two sides that were both equally acceptable, we would want to put both of them in there just to let the reader make his or her own decision as to which was more accurate.

**Dr Brzustowski:** Mr MacKay will be here.

**The Chair:** Thank you very much for coming forward—we realize you have a busy schedule—and for the help and the questions you have answered for the committee. We stand adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 1630.



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Daigeler, Hans (Nepean L) for Mr Conway  
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## Legislative Assembly of Ontario

First Session, 35th Parliament

## Official Report of Debates (Hansard)

Tuesday 5 February 1991

### Standing committee on public accounts

Annual Report,  
Office of the  
Provincial Auditor, 1990

## Assemblée législative de l'Ontario

Première session, 35<sup>e</sup> législature

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Le mardi 5 février 1991

### Comité permanent des comptes publics

Rapport annuel de 1990  
Bureau du vérificateur provincial

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 5 February 1991

The committee met at 1006 in room 228.

### ANNUAL REPORT, OFFICE OF THE PROVINCIAL AUDITOR, 1990

Resuming consideration of the 1990 annual report of the Provincial Auditor.

**The Chair:** Let's start. We have a quorum. We still have the ministry before us. The clerk has drawn to my attention that on 25 February, with the committee's concurrence, we would like to meet at 1 o'clock as opposed to 2. That will allow the auditor, as well as our researcher, to brief us on what we will be dealing with that week. So if there is no problem with that, 1 o'clock on Monday the 25th instead of 2. Is that agreeable? That may eliminate the necessity of that 11 o'clock change we had made during that week for research.

### MINISTRY OF COLLEGES AND UNIVERSITIES

**The Chair:** We welcome back Mr MacKay and Mr Lyon. Perhaps you would like to proceed. Oh, we were into questions, I guess, were we not? Are there any further questions from members of the committee? Have any percolated overnight?

**Mr Daigeler:** The auditor describes what, I am sure you are aware, is a very complex system for giving grants by enrolment to the different universities. I was mentioning some numbers here, but it is a very, very difficult and I am sure in its application also very hard on everyone. Have you looked at all at perhaps trying to make this system simpler, or are you stuck with it, there is no way to change it? The more complex the system goes, the easier it is I guess, not by commission but perhaps just by the simple complexity of the system, to make mistakes.

**Mr MacKay:** Mr Chairman, I think that is right. The formula has just gotten more and more complex with almost every year since its establishment as the government of the day has tried to accomplish certain objectives and has responded to institutional demands that there be more stability and so on. Certainly from the ministry's point of view we would like to see a simpler formula for operating grants. In fact I think it is fair to say that there are probably only a few people in the province who really understand how the current formula that we have in place, which we are really just moving into the implementation of this current fiscal year and over the next few years, operates. Each institution has its expert. Our advisory council has an expert or two, the ministry has a couple; that is about it. It has gotten complicated.

It certainly has made some of our discussions with the Provincial Auditor's staff on the financial implications of some of these findings difficult because the Provincial Auditor's staff does not have any experience with a particular formula. A lot of it is going through and trying to

explain how it works so that they can make those kinds of calculations. Unfortunately, we are just in the stages of implementing once again a new formula which is even more complex than some of the last ones. I am not optimistic we can move to a simpler model in the near future.

**Mr Daigeler:** So up to now there is no consideration in perhaps taking a major review of that whole area. Is that something on your horizon at all? Again, perhaps it is a political question.

**Mr MacKay:** You have to understand the role of our Ontario Council on University Affairs in providing advice to the ministry. They advised the ministry to implement this particular formula. There were a number of objectives associated with it. In fact, one of the objectives identified at the beginning of this current round of formula reform was in fact to have a formula simple to understand. I think when this current formula is formally or completely implemented, that is, when we get to these new enrolment targets that Dr Brzustowski was talking about yesterday, it will be simpler to understand and an institution's moving average of enrolment will be able to fluctuate within a certain range and grants will not be adjusted. Until that is fully implemented, it is extremely complicated to understand.

I think the university community is generally supportive of the particular formula that we are putting into place right now and we certainly want to discuss changing it with the university community and with our advisory council. It is not something that the minister or the ministry at this time has identified as a priority.

**Ms Poole:** Towards the end of your discussion document yesterday you listed some trends and statistics which I found very helpful. I would like to ask you about one statistic in particular that you mentioned. It said at the bottom of page 18, "The Ontario university system produces the largest proportion of graduates in Canada, granting some 43% of all degrees awarded in 1988." Then juxtaposed to this, immediately thereafter, is the line, "Operating income for Ontario universities, however, represents approximately 32% of the operating income for the whole of Canada."

While I would love to take that on the face value and say that this in itself shows great efficiency within the system and value for money, I suspect that at least part of those statistics relate to economy of scale. The University of Toronto obviously would operate on a more economical basis per capita than a very small university and in many of the provinces that would be what you would have, a very small university.

Do you have any statistics that would compare with a province that is more comparable, such as Quebec, which is again a larger province with larger universities? Do you have any statistics showing what percentage of degrees are



granted in that province as compared to the operating costs?

**Mr MacKay:** I think we can get those. I do not have them here but certainly the information that was used to compile these particular numbers does include information on individual provinces and we can certainly get that. I think you make a good point when you talk about comparisons with other provinces. Certainly provinces with only two or three universities are difficult to compare with a system the size of Ontario's.

The ministry, our advisory council and the Council of Ontario Universities do publish on an annual basis a document called Interprovincial Comparisons which gives quite detailed comparisons of funding per student and funding per various other measures.

As indicated in the statement that Dr. Brzustowski made yesterday, Ontario ranks pretty close to the bottom, and has for a long time. Certainly one of the lines government usually takes in response to that is that economy-of-scale argument, that it is not fair to compare the Ontario system with some of the smaller provinces.

**Ms Poole:** I just had one further question along that line. Do you have comparisons between individual universities? For instance, could you compare the University of British Columbia with an Ontario university, or is that information not readily available?

**Mr Lyon:** The simple answer to that is no, we do not have that individual university comparison, but comparative information among the provinces is one of the concerns of the Council of Ministers of Education, Canada, which is an organization of the provinces and of the ministers. There is a project ongoing that is attempting, in collaboration with Statistics Canada, to produce a document that describes to some extent this comparative information.

Having said that, one of the most difficult things in doing this type of comparative work is the recognition of the unique differences among the provinces and the provincial educational jurisdictions. Let me give you an example. To compare Ontario with Quebec, one of the difficult issues is, how do you take into account the CEGEPs, where you have the transfer of programs, whereas you do not have the equivalency in Ontario? So once you have that issue on the table and start looking at the cost per student, it becomes an extremely difficult matter. An attempt is being dealt with at that level with the Council of Ministers of Education and there is an expectation that later on this year a publication will come out which will give to some extent some comparative statistics, with all the caveats and so on.

**Ms Poole:** Is the method that you have established in Ontario for weighting with honours students, arts and sciences, so on and so forth, is that system unique to Ontario or is that the common way of doing it across Canada in most jurisdictions?

**Mr MacKay:** I think many jurisdictions have some form of weighting. In other words, a certain kind of student, be it a doctoral student, a masters level student or a medical student, is funded at a different weight than a student in a general arts program. I am not at all sure that

other jurisdictions differentiate between honours and general arts. That is something I have never looked into. I do know that the original decision to make that distinction was based on examining costs at an Ontario institution. I am not sure that what other jurisdictions did at the time was even looked at when that decision was first made. It is certainly something we can try and find out for you.

**Ms Poole:** I would appreciate that.

**Mr Cousens:** When the auditor reviewed the enrolment of students, one of the things he did not comment on, yet it has bothered me for a number of years, has to do with the number of foreign students who are taking up places for Ontario grads in the Ontario post-secondary educational system. Foreign students might well include those from other provinces, as far as I am concerned. I have a concern that Ontario students get first attention, yet I am prepared under circumstances to understand there can be reciprocal relations that allow us to say there is some quid pro quo, and also there are certain areas of specialty where we only have it in Ontario. So though I have a certain prejudice, it has to be that I am looking after the interests of Ontario students first. That might upset some people. I heard a gasp behind me, but maybe she is just breathing for a change.

**The Chair:** Mr Cousens, "She's breathing for a change," did you say?

**Mr Daigeler:** No, no, I was gasping.

**Mr Cousens:** Yes, I have very sensitive ears, with my business, you know.

I would be interested in knowing to what degree your ministry has looked at the number of foreign students in different universities. Do you have any involvement in the numbers that are accepted? To what degree are they subsidized by federal grants and assistance? Has there been a decline in the number of foreign students? I am specifically thinking outside the country at this point, but I also would like to know what the numbers are for extraprovincial types who come in.

**Mr Lyon:** Let me address the question of the numbers. I do not have the statistics with me on hand as to the sort of 10-year experience with foreign student enrolment. I will be quite happy to provide that to you.

**Mr Cousens:** I would be interested in that. Thank you.

1020

**Mr Lyon:** Do you want to deal with the fees?

**Mr MacKay:** We do charge foreign students fees that are substantially in excess of those of domestic students. An attempt is made to cover the full educational costs associated with those students but not the research costs associated with those students. Once again, I think the fee levels are probably set out in that operating funds manual that we distributed—right in the back.

**Mr Cousens:** The appendices.

**Mr MacKay:** Yes. The very last page in fact shows standard fees for the current academic year and the additional fees that international students have to pay. You can see they are quite substantially above the domestic fee.

Now, I should also mention that in the operating grants manual we have quite an extensive section on exemptions from that fee for students from developing countries who are sponsored by international agencies, the Canadian International Development Agency and so on. We also have a program to exempt 1,000 graduate students from the differential fee. We actually share the cost of the forgone fee revenue with the individual institutions that take the students in.

There has been a great deal of concern at the institutional level with the effect of the differential fees on foreign students. They feel that they are a very necessary component, especially in the graduate schools. As Mr Lyon indicated, we will provide the actual figures. My recollection is that we did see a significant drop during the 1980s in the foreign student levels.

We also have information on interprovincial migration of students. I think it is fair to say that Ontario is a leader in terms of educating students from other provinces compared to the number of students from Ontario who are studying in other provinces.

**Mr Cousens:** I guess to me it becomes a concern when I know I have young people from our area who are not able to get into university and those places are being taken by others and we are somehow not accommodating them. That is a concern to me. You send me those data and I will have some time to look at them.

Just one other aside, if I may, Mr Chairman. It has to do with quotas that are brought into the school system. How do you handle that from the ministerial level when you are back seeing different universities—teachers' college is a classic, where you have a number who want to get into teaching. You get 23,000 who apply to become teachers and you have only 5,000 openings, and yet if you did some kind of analysis into the future, you are probably going to need more than the number of spots you are providing for. We should do this in estimates, but it is nice in here and I am not going to be there. It just does not wash; one hand is not washing the other. We have a need for teachers and yet we have the quota system. I would almost think the ministry should be trying to beat up the universities to get them to do a better job. What club do you have?

**Mr MacKay:** One of the features of this new funding formula that is currently being implemented is that we have not only an enrolment target for each institution but we have identified priority areas, including teacher education, including a number of the rehabilitation sciences, and we have set specific targets in teacher education that we have actually exceeded this year. Enrolments in teacher education, and once again I do not have the numbers in front of me, have substantially increased in the last couple of years. There are still thousands of applicants who are not getting in. We are not nearly accommodating all of them, but enrolments have increased.

We are also working with the Ministry of Education. They now have developed a model where they are attempting to forecast teacher requirements, factor in the numbers that traditionally come from other jurisdictions and advise us on how many graduates the system does

need from year to year. It will probably require that the province direct even more resources to further extending teacher education enrolment over the next few years.

**Mr Cousens:** I have one more question on a pet interest that I have. Dianne Cunningham asked a question on this during the last session. It had to do with the decline over the last several years in our whole educational system, in the number of students taking maths and sciences, and yet an increase in those taking the social sciences. To me that just spells doom for our future in R and D and technology areas, which I happen to have a special interest in. Is your grant structure that you are starting in going to give some encouragement to that, or are you doing other things to try to change the ratio as it is now developing?

**Mr MacKay:** As a matter of fact, another priority that the government identified was science and technology enrolment. There has been a very substantial decline. In fact the targets are really to get us back up to the levels that we had in the early 1980s in science and engineering. We are particularly concerned about the number of women that are studying in science and engineering. I think they are not significantly represented in engineering particularly. While their overall participation in post-secondary education has gone up quite dramatically—they now make up more than 55% of undergraduate students—they are concentrated in the social sciences and humanities.

There are some initiatives under way to address the whole question of women in science. I think it is certainly something that the ministry is aware of and is trying to work on with the Council of Ontario Universities to see what we can do. There are various initiatives, but I think there is not just the women's aspect of this particular issue. There has been a declining interest in sciences and engineering.

**Mr Lyon:** There is a federal program in place right now that has been working for the last couple of years. It is called the Canada scholarships program and is specifically directed to the encouragement of people going into the sciences and engineering. It also awards them to 50% of the applicants who are women and is particularly targeted to increasing the number of women in sciences and engineering.

**Mr Cousens:** I appreciate your answer.

**Mrs Fawcett:** In regard to women taking sciences, does your ministry now really liaise closely with the Ministry of Education? Because to me you have to start a lot sooner than university, as people may be pretty well programmed in their choices by the time they reach university. It is down in the elementary and secondary, which of course you would not really have that much contact with. At least I am wondering, do you have the contact? Are you looking at that together with the Ministry of Education?

**Mr MacKay:** Yes, we have had discussions with the Ministry of Education. It is certainly true that if students do not develop an appreciation of science in elementary school and if they do not take the proper courses in secondary school, they close the door to studying in maths, sciences or engineering by the time they are in grade 11. The option is not even open to them. There are a number



of initiatives from summer camps that some of the universities are running for women in sciences to role model projects where women scientists and engineers and so on speak to high school students. There are a number of things.

**Mrs Fawcett:** Yes, to me that would be the real route to go, to try and get the interest, bring the high school or even the elementary schools in too. Thank you.

**Mr Daigeler:** I just have a comment on the earlier remarks by Mr Cousens. In fact I did gasp. I really think our party would take a very different position. I am not sure whether Mr Cousens was speaking for his party when he was arguing to look at students from other provinces as foreign students. I would place myself on a very different level here.

My question really is to the ministry officials. I think this document was distributed at the finance and economic affairs committee from your department. It refers to the operating fund and other revenues. On the operating side, it refers to the moneys that are coming from the government and from other revenues. It distinguishes between colleges and universities and says that for the colleges the revenue from other sources is 25% and for the universities the revenue from other sources is only 5%. Why is that different and where do the colleges have these additional resources?

1030

**Mr Lyon:** I cannot give you the exact breakdown but the college system also serves the skills development needs of the province, and to a great extent the federal government has programs in place that provide for those skills development programs. In addition to the operating grants the province gives the colleges for programs that lead to accreditation, they do a lot of work for the federal government and for employers as well; whereas in the universities they do a lot less of that.

The 5% from the universities, as I understand it, would come from ancillary enterprises, donations and that type of thing. The major source of revenue for the universities is the operating grants, which take up something like 77% to 80%, and the tuition fees, which make up something like 18% or 19%.

**Mr Daigeler:** So you are saying that is really federal money on the other side there?

**Mr Lyon:** They do have federal money, they have direct money that comes from employers for which they deliver services to employers and moneys that come from the Ministry of Skills Development. Looking at that figure of 25%, it looks like the 75% already includes moneys that come from the provincial government through Skills Development. As far as I know, the operating grants that the Ministry of Colleges and Universities gives the colleges take up something a little bit over 50%.

**Mr Daigeler:** I am not sure whether it is in order to ask this from this committee, but is it possible to get some more background on this, a breakdown?

**Mr Lyon:** Sure. We will be quite happy to provide you with the information.

**The Chair:** I just wanted to ask, if there are no questions from members of the committee, I noticed that 31 December is the cutoff for advising the ministry as to the numbers in either honours or bachelors programs. What happens if a student does not come back in January and you have given them the moneys for that student? Is there some sort of accountability to return that money?

**Mr MacKay:** In fact, the funding is done on a per term basis, so a student is counted on 1 November, I believe, for the fall term and the institution is funded on that basis. There is another count in the winter term and there are counts in the spring and summer terms. So we calculate a full-time equivalent enrolment for the entire academic or fiscal year before deciding on the funding. One of the principles is that if a student is not there, we do not pay for that student. That student would only count as half of a full-time equivalent for the year if he in fact dropped out in December.

**The Chair:** So when is the cutoff date in the spring term?

**Mr Lyon:** I can elaborate on that. The institutions are required to report enrolment four times a year. For the spring term the count date is 30 June. For the summer term, because it varies from institution to institution, it will be the midpoint of the session. For the fall term it is 1 November and for the winter term it is 1 February and 15 March, the latter date for certain courses where the students start after the count date.

**The Chair:** Just so I can be clear on that, do they get the money after the count is in or do they get it before?

**Mr Lyon:** The money is determined on the basis of the students who are enrolled throughout the entire year, so the money is not calculated after each count date. All the counts are aggregated together for a year and that goes into the calculation.

**Mr MacKay:** I think it would help the understanding of the formula to understand that we use what we call a slip-year formula. In other words, grants for 1991-92 use enrolments up to 1990-91. We are always a year behind the actual enrolment, because it takes so long to get the final enrolment counts. We are well into any fiscal year before we are able to do a final calculation of the enrolment in the previous year.

**The Chair:** So in fact the money that is being received is based on past history?

**Mr MacKay:** That is right, sir.

**The Chair:** How do you get that back if past history does not repeat itself?

**Mr MacKay:** An accepted part of the formula is that if you have an enrolment decline in a particular year, you will get the dollars in that year based on the previous year. However, the next year, even if you have an enrolment increase, your grants will go down.

**The Chair:** I see, so it is deducted at that point.

**Mr MacKay:** I believe that decision was originally taken in the early 1970s just for administrative reasons, if nothing else. We were literally having to do adjustments of operating grants right up to the end of the fiscal year because

we would be making original payments on enrolment estimates and then having to change them. It gave the institutions a little bit of certainty. They would know what they were going to be getting during the course of the fiscal year because we would know what the enrolment was the previous year.

**The Chair:** I notice the university has the ability to charge whatever it wants. That is not governed by anything the government says.

**Mr MacKay:** In terms of tuition fees?

**The Chair:** Yes.

**Mr MacKay:** Legally, the universities are fully entitled to charge whatever tuition fee they want. However, it has been a feature of the university operating grants calculation that we tell them what the standard fee to be charged is and we allow them to charge an additional 13% fee on that standard fee. Anything else they charge, beyond what the ministry tells them they can charge, is deducted from their operating grants. So in fact they could exercise that university autonomy but there is no financial benefit to them from doing so. In effect, we do control tuition fee levels despite the universities' legal authority to set them. That has just been a matter of government policy since the initiation of the funding.

**Ms Haeck:** There is a substantial difference in how the colleges are funded. I am raising this because Mr Daigeler definitely raised the issue of what the percentages may be and how they differ. Could you explain for the committee exactly how the colleges are funded in comparison to the universities? I should not do that to you, should I?

**Mr MacKay:** I am afraid we have to have somebody from the college affairs branch describe the college formula in detail. My understanding is that they do have a moving average of enrolment that does funds on the basis of previous years' enrolment and changes over time given changes in those enrolments. I may be mistaken but I think they have a two-year slip here, so that they are funding two years behind actual enrolments.

**The Chair:** Actually, as you can tell from their answer, we are dealing with universities, not colleges. That may be our next endeavour.

**Ms Haeck:** Mr Daigeler brought up the colleges so I thought—

**The Chair:** Right. I think somebody asked for some information about that. I would ask you, gentlemen, to supply the information that has been requested to the clerk and he will distribute it among the committee members.

**Mrs Cunningham:** Just on that point of asking for information, Mr Chairman, I was not here at the beginning and I hope I am not repeating something that someone has already perhaps asked or requested. One of the great issues, I think, in travelling from universities is this international student fee. When I take a look at the fee differentials and exemptions as written up in this book, it seems to me there is a fair bit of latitude for fairness in exchanges between countries or whatever, and I am not certain what this issue is.

From the university's point of view, I would expect that the Council of Ontario Universities has probably advised you that there are some specific concerns. I am not aware of anything that has been written or any specific information that may have been brought to your attention. If there is anything, I think it would be helpful if we had it.

Otherwise, what is the issue? As I look at the exemptions, it would be very difficult for me to figure out what it is. But it certainly was one of the eight topics that we discussed in our meeting last Friday at the University of Western Ontario, and it has been raised at other universities as the faculty or the students have presented their concerns. I would like to know specifically, from your point of view, what you feel their concerns are and what is being done about them, if anything.

**Mr MacKay:** From my perspective in the ministry, in the university relations branch, the problems with respect to the exemptions themselves do focus around particular interpretations: Is a particular agency eligible to sponsor students and thereby allow them the exempt status? There are certain auditing problems around identifying students who are not deemed to be international students, and how do you certify that?

1040

I think from a broader policy issue there are a lot of people concerned with the very concept of there being differential fees. There are a lot of people who feel that it is very important for universities to have international students and that these high fees act as a disincentive.

In fact the minister has expressed some concerns with the differential fee policies and has asked us to look at how we treat them, look at the exemption categories, look at the whole question of whether there should be differential fees. I am not sure about the exact figure, but I think it is somewhere between \$30 million and \$40 million, though, of additional revenue for the system that is generated by these differential fees. While a lot of people indicate a belief that in principle we should do away with these differential fees for international students, they also indicate that the system cannot afford to lose that substantial amount of revenue.

I am not sure what the answer is. We are certainly going to be reviewing the subject for the minister. I would think he would want to make a statement with respect to ministry policy within the next few months.

**Mrs Cunningham:** If I may, this of course is historical. It has gone back a long way. There are arrangements that have been made, I think, between universities in other countries and our own universities that have probably been very useful and have worked for the student. Certainly, as someone who studied at an American university, when I wanted reduced tuition, I had to teach for them for nothing in order to do it. So there were ways of getting differential fees dealt with, I think, fairly—I hate to say it—probably 30 years ago anyway.

What is wrong with you?

**Mr Cousens:** That long ago.

**The Chair:** You must have been a very young teacher.



**Mrs Cunningham:** I was a very young student, teacher, mother and the whole bit.

But the point is that there have been arrangements that have worked and have been fair. I certainly think our ability to attract the best students is extremely important and the only way we can do that is by having universities that operate to the world competition level. I think members of this committee have heard that is not happening and we are losing it. That is my great concern in being here at all: How do we improve it?

It simply was raised as an issue by the universities themselves. That is why I asked the question. I think it is important we get good information. I heard about the political exchanges. We enjoy Mr Cousens frequently on Tuesday mornings in our caucus. He enlightens a lot of us from time to time and influences our decision-making. I am sure he tries here in public as well.

**Mr Hope:** Just a couple of things dealing with accountability of the universities: Number one, I was just briefly looking through some of the legislative research services that have been provided. Talking about accountability of assets, as I look through here there are a lot of assets that are not recorded or that I cannot find in the auditor's report. I wonder if the ministry is looking at making sure that the accountability of assets is there, and if you are looking for more control mechanisms to make sure that the accountability is there.

**Mr MacKay:** The ministry took the position in responding to all three of these university inspection audits that it would not comment or take a position on any matters with respect to asset control or matters that we and the universities both deem to be within the exclusive jurisdiction of the board of governors or governing council of that particular institution.

We have basically restricted our comments to those areas dealing with enrolment reporting as they are tied directly to the funding we provide. Frankly we feel that the institutions themselves should respond both to the Provincial Auditor and to the members of the committee with respect to matters like asset control.

**Mr Hope:** Would that not raise the question in your head, "Where has the dollar value gone to?" I guess I just wanted to put that forward.

The second question that I have deals with the grants for research. What accountability are we getting back? We are providing moneys to universities to develop research or to do whatever kind they want to do, to develop our economic market, I would call it. What returns are we getting on the investment we are putting into dollar grants that are provided for professors to do research analysis? What are we really receiving back? I question some of the granting that we do to universities.

**Mr MacKay:** I think I should explain that there are a number of sources of funding for research activities. There are three federal granting agencies that provide money directly to universities. It is generally awarded on a competitive, what they call peer review process. The quality of actual research proposals is examined and the federal government decides which grants to provide. Ontario universi-

ties receive a very substantial share of that funding. Of course the overhead costs of doing that research are basically absorbed by the universities and therefore are covered by our operating grants to the extent that they are incurring real costs.

We have within the province a program called the university research incentive fund which specifically matches funding provided by private sector companies and businesses that undertake joint research projects with universities. That is a program that has been reviewed at least once since it was initiated and found to be very successful in terms of the kinds of projects that were being funded and in terms of the actual delivery of new products to the marketplace and so on as a result of that funding.

In terms of an actual assessment of the type of research that an individual university professor does, whether it is related to a grant that he has received or whether it relates to a study that he or she is publishing or an article that she is writing, I think the effective evaluation, once again, is a peer review process. Individual professors are subjected to the comments of others in their field when they publish. You can get some pretty lively academic debates going in the journals in the various disciplines. There is not an actual mechanism for the government to assess the actual research that has been undertaken, but there certainly is within the university community a lot of assessment of each other's work.

**Mr Hope:** Coming from the automotive sector and dealing with new technology, what we are finding out is that we are not producing. We may be producing through university grants for those individuals in their particular fields, but we are not producing for the citizens of Ontario as far as keeping the academic in Ontario to improve our standards is concerned. When I see people from Japan and Germany come over here with the technological expertise that we are missing here in advancing ourselves here in Ontario, that is what I somewhat question. That is why I want to bring the question up about the granting, because what is the turnaround of these people who we are developing this money into? Are they staying here in Ontario or are they leaving to go to higher-quality jobs as far as pay is concerned? I just wanted to make that point.

Yesterday we were talking about government appointments to boards and I was just wondering what boards there would be that we have some say in as a government.

**Mr MacKay:** I believe there are government appointees on about eight of the governing boards. We can get you the actual numbers. In fact I was just looking at a table the other day that broke down the membership of all the governing bodies for the universities. We can certainly provide that to the committee.

**Ms Haeck:** To return actually to the point that Mrs Cunningham and Mr Cousens raised earlier, do we have a handle on how we stand in relation to other jurisdictions in dealing with foreign students when we are talking about, say, what is happening in the United States or Britain, where we have some sort of comparison of what we charge or what kind of grant we give students, how we

figure into that larger scheme, even other provinces in this country?

1050

**Mr MacKay:** Yes, we in the ministry do have some data with respect to foreign student fees charged in other jurisdictions. Once again, we can provide that to the committee. My memory of it is that our fees are still considerably lower than they are for many American institutions. In fact our differential fees are lower than the actual domestic tuition fees that many of the private American universities charge. I cannot recall exactly how we compare to the public universities in the United States.

**Ms Haeck:** That is fine.

**Mrs Cunningham:** Just on that point, that information was tabled last week by the president of the University of Toronto, so perhaps we will bring it to the committee. I will bring what I have and distribute it.

On the issue Mr Hope raised, I think it is a very valid one and it is probably the most critical one we have at all. Although I know we are talking here about the funding mechanisms of universities, I think you cannot ask a question about funding without seriously considering who is training whom and for what purpose. He raised the issue of the automotive industry. I think it is an excellent example. I certainly travel a lot from London to Toronto where I meet with these young people who are going to Japan to be trained and returning to Ontario after their training, which bothers me a lot.

On this whole issue of program, there will probably be a more appropriate place for us to have some serious discussion, I hope. I am sure we will be on the same side of that argument. We have some tremendous deficiencies, but the question, I guess, at the bottom is, who should be doing the training, whether the universities should be in the business at all or whether it is in co-operation with the private sector? Certainly from what I have seen, we have not decided that question.

There is the other issue I was going to ask the representatives of the ministry today. One of the points that was made last week as we were looking at the Council of Ontario Universities talking to our committee was a great concern that many of our bright young people were choosing for their undergraduate work universities outside of Canada, certainly the American universities, and were more than capable of spending their own money to do this.

We had a number of delegations before a committee at the University of Western Ontario recently and it was of great concern. That university was putting it in the light that it could not attract undergraduate students to engineering and to science courses, so if we do not get the students in in the first place, how are you competitive within your own universities? Back to the issue, do you have good data on how many of our secondary school students in fact are choosing to go and pay full fees outside of our province and country, and is this an issue this committee should be concerned about as part of our deliberations?

**Mr Lyon:** If I can answer that one, I do not believe we have data on students who make that type of a choice, to go south of the border for their education. If I could speak

anecdotally, my daughter went to first year at university this year, and among her classmates it is not that they could not get into an Ontario university, for whatever value system they have that is embedded in the families and what not, some of them decided to go to the United States. Obviously one of the things that makes a difference is the availability of scholarships. I think down in the United States you have more of an abundance of scholarships than we have here in Ontario and in Canada, because of the large amount of bequests and trust funds that are there. That is a factor that might influence some students. But we do not have any definitive data that would tell the story.

**Mrs Cunningham:** I am assuming your daughter is an undergraduate student as opposed to a graduate student. It is just another example. That is interesting. I really had not thought of that. Numbers alone tell us that there are many more scholarships, but it is interesting to note that students from this country would be as eligible for those undergraduate scholarships. I am certainly aware that they are for graduate scholarships, but I had never heard of them at the undergraduate level.

**The Chair:** Golf, football, basketball, hockey.

**Mrs Cunningham:** Astronomy.

**The Chair:** That is right.

**Mrs Cunningham:** I am assuming these are not sports scholarships.

**Mr Lyon:** No.

**Mrs Cunningham:** They are science scholarships.

**The Chair:** Was that a scud? They are shooting in the right direction, though, at us.

**Mr O'Connor:** University experiments, no doubt.

**Mrs Cunningham:** Yes. That is just another example of who wants to be competitive and who thinks it is important to be competitive technologically and economically. Certainly I am the mother of two university students now and in the last seven years they have talked openly about the difference between what they are getting in classes of 200 students as opposed to what some of their friends are getting elsewhere. They have chosen to stay here. Their line of work allows them to be here, what they are planning to do anyway, but certainly other younger students going into some of these science courses I know are choosing to go elsewhere. But I did not think it was to such an extent.

It is probably something you can ask the COU for, whoever is responsible for advising the government, because it certainly will affect future policy direction. It is a shame, after listening to the incentives that had been presented by both the federal government, believe it or not, and the province over the last decade, certainly the secondary school students, that in fact we have fewer students in science and technology, in spite of the incentives that have been put in place.

**Mr Lyon:** Mr Chairman, in the absence of structured information, I just do not know or will not be able to comment on the extent to which this is a significant issue. It is very hard to tell. There is no structured way of collecting



that information from the students who go to other jurisdictions.

**Mrs Cunningham:** That is in the secondary schools.

**Mr Lyon:** That is right.

**Mrs Cunningham:** In fact, we do have a computer base. We have to have it to plan for admissions to our universities. Perhaps we just have to ask the right questions, but I thank you for your personal observations as well.

**Mr O'Connor:** Just in the way of trying to evaluate, within your ministry and the Ministry of Education, is there some way of evaluating where the teachers who are going to our secondary schools are coming from in the sciences and in areas that would lead to encouraging research and development in the future? Is there any mechanism in there that can maybe let us know, as a form of evaluation, what the end product of our universities is in the direction we need to head?

**Mr Lyon:** We certainly are able to identify those student teachers who have undergraduate science degrees and are interested in teaching science and math at both the elementary and the secondary school levels. That is information we do get in terms of evaluating their success in teaching those subjects and in terms of evaluating their success in creating an interest among our children in those sciences. I think we probably have to talk to somebody in the Ministry of Education to really answer that question. I am not aware of anything in terms of actually evaluating how well we are doing in imparting an interest in science and technology to our young people.

**The Chair:** I do not want to stop this, but I always believe you bring a witness in and he has some idea of what you are going to ask him, but we are getting well beyond what the auditor's report was all about.

1100

**Mr Lyon:** It might help the committee to know that Statistics Canada does regular surveys of university graduates and asks them the types of work they are doing three to five years after graduation. I would be quite happy to provide that type of report to the committee if it would help the committee get a sense of what happens to university graduates.

**The Chair:** Would that be up to date? Because if you bring it really up to date you will probably find that a lot of them are doing nothing.

**Mr O'Connor:** I was just concerned about the co-ordination between where our teachers are coming from as a report card for the universities.

**Mr MacKay:** Part of our ongoing work with the Ministry of Education in terms of identifying the overall need for teachers is certainly identifying specific needs for teachers—technology teachers, science teachers, French teachers. That is all part of it. In fact, the position of the Ministry of Education, as I understand it right now, is that while we do not have an overall global shortage of teachers, we do have shortages in particular disciplines and shortages in particular areas. That is what we are concentrating on at this point, rather than just the overall number.

**Mr O'Connor:** That is exactly what I was referring to.

**Mrs Fawcett:** Just on the stats as to the numbers going to the United States, I wonder if there is any availability of that through the Canada loans, because it is a different type of OSAP that they get, is it not, when they go to the United States? It is under the Canada loans. I just know that my son went to the United States, at Princeton, and he had a partial scholarship, so then he applied and got the Canada loan. He is an undergraduate.

**Mr Lyon:** I can provide the information as to how the student assistance program works, but from my recollection, the student who studies out of this country, unless it is in one of the eligible programs in institutions out of this country, would not be entitled to the financial assistance.

**The Chair:** You just let the cat out of the bag, Mrs Fawcett.

**Mr MacKay:** The Ontario grants are not eligible but the federal government's loans are, and we can certainly check with our student assistance people and see what information they have on it.

**Mrs Fawcett:** It was federal rather than Ontario.

**Mr MacKay:** We would not of course have any information on students not receiving any assistance.

**Mrs Fawcett:** Right.

**Mr Hope:** I was just verifying with the research services, as you stated earlier to stay within the confines of the auditor's report and I am just trying to make sure it is there. So I will have to pass right now, but I guess the whole report talks about accountability of universities to government funding. That is what I really want to focus on. It may not be labelled in this report. It may be an oversight, it may not be, but I think the accountability is to the students. What actual service are they getting? We are paying professors X dollars to be instructing our youth, in a way, and how much class time is being actually generated? Those are some of the questions that I have and I guess it will turn to a later conversation.

**The Chair:** On your questions about foreign students, I am a product of that. I came here to Canada to get a university education because it was dirt cheap and it was class education. That was in 1954. What you got here for \$2,000 for room, board and tuition would have cost you in those days probably US\$10,000 in the United States. So I would just say you do get some value for all of that. I would not be here if it was not for that.

**Ms Poole:** On a point of order, Mr Chair: I think you are jumping to conclusions there.

**The Chair:** I made an assumption which is probably a non sequitur really.

**Mr Hope:** I know this falls within the report now. One of the things I was curious about is the availability of access, making available for people to access our universities. Are there any statistics done on the levels of income where the university student is coming from, if we have some kind of data that we can refer to? Because what really scares me the most is—and I heard somebody say yesterday the word "élite" is no longer, and I still say it

belongs there—it is only going to be confined to an élite group that will have access to universities, which will then put more pressure on community colleges.

Do we have statistics that show the amount of people coming in, their background, where they are coming in, the statistics whether they are middle-, low-, high-income value and, the end result, whether they are coming out? Because not only do they get in but we also have to look at, are they able to fulfil the university courses? There is a lot of financial debt that is put on a lot of parents about entering their children in the universities.

**Mr MacKay:** The universities themselves and, therefore, the ministry do not actually collect data on family income. However, Statistics Canada did do a special survey of university students. I believe they published it in 1986. It shows a breakdown of students at that time by family income level.

While it indicated there had been some progress in the decade studied in terms of more access for lower-income families, there is certainly an imbalance. I think it was fair to say at that time, and probably is still true today, that a majority of university students are from higher-income families. I certainly think that is a challenge that our minister has identified as something he would like to address, that access for various groups of our society that are currently underrepresented. It is certainly something that has to be addressed.

**The Chair:** Are all happy? All right, thank you very much. We appreciate your reattending today. We are now going to get together as a family in a closed session. We will be meeting in camera from now until the time we adjourn. We will back out in public session at 2 o'clock this afternoon.

The committee continued in camera at 1106.



## AFTERNOON SITTING

The committee resumed at 1404 in room 228.

## UNIVERSITY OF GUELPH

**The Chair:** Perhaps whoever is going to make the presentation from the university could introduce the other people for the purposes of Hansard, and then proceed. There will be questions from committee members after you have finished your presentation.

**Mrs Gelberg:** My name is Solette Gelberg. I am vice-chairman of the board of governors of the University of Guelph. With me today are Dr Brian Segal, the president of the university; Charles Ferguson, the vice-president of administration; and Colin Graham and John Dines of the firm Ernst and Young, who are our external auditors.

I want to start out by telling you how pleased we are to appear before the standing committee on public accounts today to present our views on the public inspection audit that was conducted at the University of Guelph and to respond to members' questions.

We are pleased because I and other members on the board have paid close personal attention to the Provincial Auditor's report and to the inspection audit. Our experience of the process as it applies to universities has led us to form some conclusions about universities' accountability that we think need to be put before the public of Ontario. We also welcome this opportunity to explain more fully some of the points which were raised by the report.

From the outset of Mr Archer's inspection audit at the University of Guelph, we have welcomed those suggestions we found reasonable in light of current accounting practice and useful as a supplement to the advice of our own internal and external auditors.

We understand that in carrying out inspection audits, the Office of the Provincial Auditor seeks to comply with the directive issued by the Management Board secretariat in 1988 which called for the establishment of "an effective framework for transfer payment recipients to account for their management of public funds."

As outlined by the Provincial Auditor on page 13 of his 1990 annual report, an effective accountability scheme not only would set out planned objectives and results for recipients of transfer payments, but also "would ensure that the recipient: understands or agrees with these objectives and results; reports the achievement of objectives and results on a timely basis; and takes corrective action when objectives and results are not being achieved." The report goes on to assign to the relevant ministry the responsibility "to ensure that accountability processes that meet the mandatory requirements of the directive are in place and are maintained."

As citizens of the province of Ontario, we applaud Mr Archer for pursuing this objective. After all, over \$2 billion in transfer payments went to higher education in the past year. There can be no doubt that universities have a duty to be accountable to the government and to the public

for the responsible expenditure of funds, a significant percentage of which come from the public purse.

The act that established the University of Guelph in 1964 assigns to the board of governors the "government, conduct, management and control of the university and of its property, revenues, expenditures, business and affairs," granting the board "all powers necessary or convenient to perform its duties and achieve the objects and purposes of the university." In a clear separation of powers, the Legislature, by the same act, entrusted our senate with responsibility for determining, controlling and regulating the educational policy of the university, including the establishment of degree programs and academic standards.

As you know, universities differ from governments, industry and profit-making corporations, not only in their basic missions but also in their systems of governments. Universities in Ontario have always retained a high degree of autonomy owing to, I believe, the recognition by successive governments that the purposes of teaching, scholarship and the dissemination of knowledge can best be served by allowing universities to be responsible to their time-tested traditions. This does not, of course, remove their obligation to be responsible to the larger society, nor would any university desire that freedom.

## 1410

The split in authority between academic and financial governing structures—senates and boards—together with a strong tradition of collegial decision-making might seem to suggest to outsiders that university boards are limited in their ability to ensure that the programs and practices of their institutions can stand up to rigorous examination. However, those familiar with universities know they are subject to constant internal and external review. They demonstrate accountability daily by making regular reports to government ministries and other agencies on a variety of factors that affect their eligibility to receive funds both for operating and capital purposes, including enrolment, use of space, occupational health and safety, employment and pay equity, and research procedures and results.

Universities are obliged to submit academic programs, both new and ongoing, for examination and review, not only according to internal academic legislation but in conformity with the requirements of quasi-governmental approval bodies, accrediting agencies, granting councils and external reviewers. Ontario Council on University Affairs approval of new professional or quasi-professional undergraduate degree programs and Ontario Council of Graduate Studies approval and periodic review of all graduate programs are only two such requirements.

Our university also has external reviews of the effectiveness of all its academic units conducted every few years. We require faculty members to undergo a rigorous performance review by peers inside and outside the university every time promotion is sought or merit increment considered.

The university undergoes special audits ordered by provincial and federal government ministries or agencies, for example: the audit of the Ontario Ministry of Agriculture and Food contract conducted by OMAF; Canadian International Development Agency audits and special Department of Supply and Services audits, both subject to federal audit inspection; annual audits for capital funding; pension plan audits; audits of spending under special funding envelopes such as faculty renewal, equipment renewal and excellence funds. Academic activities in spending are documented in annual reports which are freely available to the public.

In essence, the university's affairs are conducted in accordance with normal business practices judged appropriate by external auditors and by a competent lay board. In fact, given the frequency with which reviews of the effectiveness of the university programs and staff take place and a system of governance that harks back to medieval models, it is a source of wonderment to most of us on the board how much our university manages to achieve and how efficiently it does so. It is precisely because the University of Guelph board of governors believes that the key to the practice of public accountability lies with a responsible lay board that we follow practices which, in our opinion, demonstrate a high degree of personal and corporate commitment to the philosophy espoused by the Provincial Auditor.

Our board meets frequently and its sessions are open to public attendance. It receives reports at every meeting on financial performance, including budget changes and variances. It continuously reviews auditing standards and ensures strict financial control through its audit committee, which directs the internal audit department. The board takes part annually in a collaborative university planning process with the senate. We have a unique management compensation scheme, through which the performance of senior administrators is evaluated by the board and merit pay awarded for performance against objectives approved by the board. In addition, the board pays particular attention to regularly conducted external audits of the university's operation.

Any delegation of the board's authority has been clearly defined. A comprehensive board committee structure, shown in the appendix to these remarks, has responsibility for such functions as oversight of hiring and employment practices, employment equity, long-term planning and strategic planning, linking available resources to institutional objectives, growth of endowed funds, selection and orientation of board members, and relations with students, faculty, staff and the external community. Frequent committee meetings require a significant commitment of time on the part of the lay board members, most of whom sit on three or more committees. It is not unusual for a lay board member, who receives no remuneration, to devote 10 to 15 hours a month to board or committee meetings and related board business.

I think members of the standing committee can see that ours is not a rubber-stamping operation. Our board annually sets a highly responsible business plan that monitors

the administration's management to ensure that expenditures are within the limits we have established.

It is a source of pride for us that in all cases the administration has ended the fiscal year within budget projections. At the end of 1989-90, for instance, this university had no cumulative deficit. The purpose of this short discussion on university governance and performance is not to introduce special pleading on the university's behalf, but to demonstrate the complexity of its organization. An understanding of that complexity is crucial to an appreciation of the parameters within which we think an inspection audit of a university ought to proceed.

Mr Archer and his staff have clearly recognized—page 15 of the 1990 report—that devising a framework which takes into account “the great diversity in the nature of the transfer payment programs,” traditions of institutional autonomy and complex accountability relationships between ministries and recipients requires “time and effort, understanding and compromise.” We would agree entirely with Mr Archer that under the circumstances “standard expectations, uniformly applicable to all transfer payments, cannot be established.” That is why our board has taken special care to examine each segment of his report on the inspection audit of the University of Guelph with an eye to this university's management.

Now that you know the extent of the board's interest in seeing that we have a responsive and responsible institution, you will not be surprised to learn that upon receipt of the Provincial Auditor's initial report in the spring of 1988, the board of governors, in its desire to thoroughly evaluate and verify the content, appointed a special committee of lay members that spent a great deal of time reviewing all the financial statements and related audit information of the university.

Let me now turn to some of our committee's observations and actions surrounding the complicated issue of enrolment reporting, which, as you know, is the basis of OCUA's recommendations to the Ministry of Colleges and Universities on the allocation of operating grants. As a result of Mr Archer's report, the university has made changes in the reporting of students enrolled in the winter semester. Guelph had been reporting students enrolled in winter in accordance with a special agreement made with the ministry in 1977, designed to recognize our unique three-semester system and put our university on a par with other institutions that do not have separate registration in the winter.

Under the terms of that agreement, we were allowed to count students who registered in September with the stated intention of attending classes for two semesters. Subsequent to the audit, it was claimed by the ministry that the 1977 special approval was extended for one year only. However, the university did not receive any subsequent letter revoking that arrangement. We feel that the board and our external auditors cannot be held responsible for changes in ministry policy which are not communicated. It appears that the Ministry of Colleges and Universities has had no process in place to monitor the special rulings that have been made over the last 25 years in recognition of the



complexity of registration practices at the graduate and undergraduate levels system wide.

The Provincial Auditor's report stated that some first-year students were being miscounted as upper-year students, increasing the university's income. Employing the criterion recommended in a recent report of the Ontario Council on University Affairs, 90-V, on honours and general program differentiation, namely, completion of eight half courses, the university was out a net of 44 of the 21,618 basic income units. The university has taken steps to implement the new accounting criterion and has been audited for 1990.

#### 1420

The Provincial Auditor questioned Guelph's method of differentiating between honours and general students. In its reporting of honours students, our administration has consistently followed criteria for determining honours standing approved by our senate. There is a wide variation in definition of honours programs across the Ontario system. In November of 1990, OCUA released the report I have just alluded to. It should be noted that among the universities studied, Guelph has an unusually high percentage of students graduating with honours degrees who were reported as honours students. This is consistent with our observation at the time of the audit. It would seem, therefore, that Guelph's criteria for honours standing have a high degree of correlation with graduation.

Another issue which applies to all of the conclusions made by the Provincial Auditor is that of a permissible error factor. The error factor allowed by the ministry in reporting enrolment is 2%. We agree with Mr Archer that it is critical to have in place information and reporting systems that efficiently capture what actually takes place in a registrarial operation, and we continuously take steps to improve our procedures. Without going into the technical details of our existing systems—these can be explained by our officers in response to any questions you may have—it is sufficient to point out that the University of Guelph has not received a cent of extra funding from the province as a result of enrolment reporting errors the Provincial Auditor claims to have discovered.

A further issue that received our board's close attention is accounting for fixed assets. Mr Archer's report on this item carries the heading "Poor Safeguarding of Assets," yet he produces no evidence to show that our losses are significant or that different systems of control would have significantly differing results. Instead, the university is faulted for inadequate cataloguing of plant assets. We think there is an important distinction to be made between cataloguing assets and safeguarding them.

In most instances, the board is satisfied that we have adequate safeguards; in some, for instance, library holdings, our systems can be shown to be superior. Almost all furniture and small equipment not currently recorded in a central inventory is kept in locked offices. An insurance policy on computing equipment requires the production of annual lists for departmental verification, and there is an incentive for departments to keep the listing current to ensure that this equipment is covered for loss. Major equipment such as vehicles and computer hardware, our

art collection, audio-visual equipment, telephones and fire prevention devices are all inventoried. It is interesting to note, however, that in the case of fire extinguishing equipment, the listing process does not prevent rather high losses through theft or vandalism.

While on our balance sheet fixed assets are shown at a total value of \$409 million, committee members must understand that when you eliminate land, buildings and major equipment, you are left with approximately \$30 million in movable equipment, acquired with MCU and OMAF funds, that is not on some form of inventory. Our statistics show that for the last five years theft losses to university property, net of recoveries, averaged \$35,000 a year, \$3,000 of this amount in vandalized fire extinguishers. The board has discussed on several occasions, both before and after the inspection audit, the need for a central inventory listing of all fixed assets, and concluded that, given the estimated annual cost of \$100,000 such a system would entail, it was not cost-effective. It should be pointed out that equipment represents only 4% of our operating fund expenditures. Moreover, considering the varied locations we deal with, movement of equipment between sites, and cannibalization of research equipment to meet unique needs, it is doubtful whether an inventory could be maintained effectively.

In the area of purchasing procedures, the Provincial Auditor questioned the competitive selection process employed by the university in awarding a contract for supply, delivery and installation of microcomputers and related accessories with a local supplier. The report pointed out that after a 30-day trial period with a new supplier, the contract was renewed with the local supplier even though the new supplier's prices were lower. It refers to questionable bidding practices.

Upon investigation, the board's special committee verified that the approach to suppliers, the awarding of the contract and subsequent activities were reviewed by a group independent of the purchasing department, and a potentially troubled service situation was avoided. No evidence of wrongdoing or inappropriate business practice was discovered.

Overall, Mr Archer was satisfied that financial controls at the University of Guelph are very strong, and the extensive research conducted by our special board committee on the inspection audit only served to confirm that knowledge for us. For that reason, we feel comfortable about choosing to disagree with certain of Mr Archer's judgements, and would be happy to respond to further questions.

I can assure you, on behalf of our board of governors, that the government and the Provincial Auditor have our continued commitment to achieve "enhancements in accountability," to borrow Mr Archer's phrase. We may not agree in every instance on the precise method for demonstrating that commitment, but I hope your committee is satisfied that a knowledgeable and expert board, entrusted by the legislation of the province of Ontario with responsibility for the financial management of the University of Guelph, has carried out its task with diligence and will continue to do so.



**The Chair:** Thank you very much. Are there any comments from either the president or the vice-president of administration over and above what has been presented?

**Dr Segal:** We are prepared to answer questions.

**Mr Daigeler:** First, I wish to thank you for coming to the committee and being available for questions and helping us to continue the good work the Provincial Auditor has done, and also give, hopefully, the universities the support they need, in fairness to the rest of the members of Ontario society.

I have a few questions with regard to your actual report. You are saying on page 4, "The university has external reviews of the effectiveness of all its academic units conducted every few years." Could you describe what that is?

**Mrs Gelbert:** With your indulgence, I think I will let the president answer that question.

**Dr Segal:** The reviews of our programs take place in a number of forums. First, all graduate programs in the province must undergo cyclical review by the Ontario Council of Graduate Studies, which is an organization established under the aegis of the Council of Ontario Universities, but which submits its annual reports to the Ontario Council on University Affairs. Essentially, if graduate programs are reviewed negatively, that is, do not get either an A or a B-plus rating, the government then has the right to decide whether to continue to fund those programs. All graduate programs go through that process.

In addition to that, all new undergraduate programs of a professional or quasi-professional nature must be submitted to the Ontario Council on University Affairs for evaluation and review and to their academic advisory committee. In addition to that, all of those programs generally must carry with them letters from various different stakeholders and constituencies about the quality of the program and about whether or not there is a requirement for graduates of those programs in those particular sectors.

As to existing undergraduate programs, in the case of the University of Guelph, we have established what we call an internal review process, which mirrors at the undergraduate level what happens to our graduate programs externally. The difference is that we run the program, we will choose a number of departments every year, they will then be reviewed; but, as with graduate programs, they are not reviewed by people from inside the institution. They will be reviewed by experts that are invited to the institution from other institutions. They will then be evaluated on that basis.

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In addition to that, all of our professional programs are regularly evaluated by accrediting bodies, whether that would be in engineering, veterinary medicine and so on.

That is the kind of nexus of evaluations the programs undergo. If I could just add another comment, the students evaluate the teachers, and student-based evaluations are part of all tenure and promotion and merit discussions. There are student evaluations in every class throughout the university in every semester, and they clearly form part of the evaluation record of the faculty.

**Mr Daigeler:** If I could continue on that, basically all these evaluations you are describing are looking for academic criteria, the quality of the program, and probably—correct me if I am wrong—very little about the concerns the auditor would have above all in terms of economy and efficiency and effectiveness of the resources that are being applied.

**Dr Segal:** Yes, the general orientation of those evaluations relates to academic quality. However, external reviews will make comments, clearly, about the relationship between resources available and the job that has to be done. In many instances, particularly at the graduate level, you will get a review that may put a program on notice because either its library holdings or the number of graduate-eligible faculty is low for the number of students.

Let me be precise, if I may. As members may remember, in 1983 the Ontario Veterinary College went from full accreditation to provisional accreditation by the American accrediting body, and it was precisely because there were inadequate resources available to do the job, both clinical resources and teaching resources. Major changes had to take place within OVC in order for us to recapture full accreditation. We reduced the number of students by 100, with a BIU weight of six. That is 600 BIUs, which is very significant, and we went on a major capital effort to improve our facilities.

So I think in terms of the way the Provincial Auditor looks at it, from a straight efficiency perspective, the answer is no, they do not look at it that way but they do certainly attempt to make judgements about the relationship between resources and the task at hand.

**Mr Daigeler:** Do your external auditors give a management report as well, or is that part of their mandate?

**Dr Segal:** Yes, our external auditors provide a management report to the audit committee of the board. The president of the university is not a member of the audit committee of the board. The external auditors meet privately with the audit committee of the board to raise any matters with it that they feel are material. In addition, the audit committee receives regular management reports from the internal audit department within the university.

**Mr Daigeler:** That is all. I will let some others get by. I may have some more questions afterwards.

**Mrs Cunningham:** Welcome. It is good to meet you finally. My questions will probably appear to be somewhat philosophical in the beginning, because I have read so much and we have had some opportunities to take a look at some of the concerns that have been underlined, which vary from one university to the other among the three universities.

One of my great concerns in representing the public is this whole issue of accountability and whether the money is well spent. Until this year, with one exception, I think 1981 or 1982, the universities have not been subject to audit by the Provincial Auditor. Now here we are in the business of taking a look at universities, as we have done with school boards and hospitals in the past. There seems to me, according to the law of the province, to be some concern by the universities as to whose responsibility it



really is to get involved, and what aspect of university life the Provincial Auditor should be involved in. I wonder if you would like to speak to that briefly from your point of view, with perhaps some suggestions as to my problem of accountability.

**Dr Segal:** I would, because I think it is an important issue. When we talk about accountability, we have to talk about accountability in a democratic society, and a democratic society demands a pluralistic form of accountability. It does not demand a unidirectional or simply hierarchical form of accountability. Totalitarian societies very clearly demand unidirectional and hierarchical accountability. In a pluralistic society we expect public agencies to be accountable in a variety of ways. It seems to me that one has to, in some respects, differentiate the notion of accountability and break it down into its parts, because we keep talking about it as if it is only one concept. It in fact embodies a variety of concepts.

As it pertains to the Provincial Auditor, one is clearly concerned about fiscal, administrative and organizational accountability. That is one area and we should talk about that. Legal accountability. We are also concerned about professional accountability. We are also concerned about political accountability; and finally, but most important, we are concerned about moral accountability.

It is important, when looking at a university, to assess how it is performing within this pluralistic concept of our society its measure of accountability. Clearly, one of the instruments for conducting that measure of accountability is the Provincial Auditor coming in and conducting an inspection audit on those matters that pertain to the Provincial Auditor's mandate.

But the university ultimately is responsible to a variety of constituencies. I do not want to go through all of the details because it would be unfair to take up the time of the committee, but we are fundamentally responsible to our students. We have boards of governors that have elected students on them. There are very few other public agencies that have elected customers or clients on them. We have elected faculty, we have elected staff on our board of governors. We have four Lieutenant Governor's order-in-council appointments. Certainly the government, as one example, at its will could invite its appointments to the board of governors to suggest what it would like see the appointments do on the board of governors at the University of Guelph. It could even go so far as to suggest to them how they might vote on certain issues, or the kinds of concerns it would like to express.

Our boards are held in public session. I do not think the Ontario Hydro board is held in public session. I do not think TVOntario or the Royal Ontario Museum are held in public session. I do not think the hospital boards are held in public session. The press is at our board meetings. I think one has to take a look at a variety of instruments through which one conducts the process of accountability.

If we take a look at just the issue of legal accountability, we are obviously accountable for all legislative and juridical matters. We are accountable for every piece of legislation. We are accountable for all of our collective agreements. Whether it is employment equity, whether it is

environmental protection, whether it is occupational health or safety, all of those laws of the province, we are clearly accountable. We are not outside of those laws.

I think one has to go back, if I may quote, to a recent decision of the Supreme Court of Canada. This, I think, gets to some of the complexities of the issue, the Supreme Court decision on mandatory retirement. It said: "The fact that a university performs a public service does not make it part of government...The universities are legally autonomous. They are not organs of government, even though their scope of action is limited either by regulation or because of their dependence on government funds. Each has its own governing body, manages its own affairs, allocates its funds and pursues its own goals within the legislated limitations of its incorporation."

The last point I would make is that in our act, the government of the day has the right to request from us any information of any sort and we must provide it. Nothing stops the government for asking us any information and it does ask us for a lot of information, and we do provide that information. So I think even when one looks at the issue of political accountability, that is important.

If I may—and I will stop at this point—get to the issue of moral accountability, the people of this province expect our universities to behave with great integrity. They expect our universities to behave with fairness, within a context of natural justice, and therefore they come to expect certain things from us. They come to expect no favouritism on admissions: cutoffs are cutoffs are cutoffs. They come to expect absolutely no favouritism on grading. It does not matter who you know or what size you are or how much money you have, the universities have absolute standards that we must maintain. They come to expect natural justice from us. If we do not admit someone to the university, we are called to account. We have to be able to explain to the parent and the student why we have not accepted him and be able to do that in writing. We have appeal procedures through which this takes place.

So I think ultimately, and I only use those as some examples, there are multiple forms of accountability.

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**Mrs Cunningham:** Thank you. I think from our point of view from time to time we mix them all up. It is easy to do given the advice we get from time to time from whom-ever and wherever we travel in our work.

Given what you just said, in our position today we are looking at the role of government, certainly the role of the ministry with regard to what they ask for and what they give you by way of information so you can do your work and follow the rules. On page 8 there is a discrepancy as to who gives whom what information and how best our institutions can follow the rules. Given the size of government and the fact that it is growing, I think it is becoming more difficult to follow rules. I am wondering if there are any basic rules left that anybody can follow. I am looking at the new legislation that is being proposed.

This is not a partisan committee, by the way, and it would probably happen no matter who proposed it. Government and legislation are just becoming very, very

complicated, probably by Band-Aid approaches. So given what you said, "We feel that the board and our external auditors cannot be held responsible for changes in ministry policy which are not communicated," given how I feel about every time something goes wrong we just hire another level of bureaucracy to fix it, and given that we at least have, I think, an attempt by the ministry to put everything together around the operating funds distribution manual, how do you think we can communicate better? Do you think we need fewer rules? What would you do given the problem that we are facing here today, where we have seen some discrepancies pointed out to us by way of an audit which I think should be helpful. Perhaps you could give your views on that.

**Dr Segal:** I think one has to try and isolate the various components of the problem. When one moves from a 1977 special approval to a 1989 audit, one is putting 12 years in the middle. The ministry must have moved four times in that period. They must have had a whole range of people change from who was there at the beginning and so on. I guess, as we point out in our opening remarks, the ministry, I think, has not been overly effective in monitoring the special arrangements it made.

I think one of the important results of the provincial audit is to identify that. We can sit here and debate whether they did tell us or they did not tell us. Our external auditors never heard back from them and therefore they accounted for 12 years that way. I do not think there is any point in doing that.

But on the question you ask as to communication, I think the changes that have come out of this review will undoubtedly improve communication between the ministry and the universities as to expectations and standards and the new operating grants manual, and I believe the changes in counting that come out as a result of the Ontario Council on University Affairs review of honours-general will result in some improvements.

But back to your basic point, if one ever tracked the funding formula, today the funding formula has a 100-page manual. That is separate from the operating grants manual, by the way. Just to figure out how this elaborate ever-changing corridor enrolment-based funding formula works is a 100-page manual in complexity. And yes, every time the centre hires more pitchers we have to hire some catchers in order to deal with those issues.

Part of the difficulty, I guess, is that if you could wipe the slate clean and say, "Let's start afresh," there might be more rationality to it, but you really cannot do that because when institutions have been behaving on the basis of certain expectations, you cannot all of a sudden say: "Those expectations don't exist. Let's start afresh and let's have a level playing field." Really what the complexity of the formula does is it really does try to provide a much better level playing field.

But you are right, I think it becomes more complex and therefore you have more difficulty administering it. My sense is that some of the basic issues Mr Archer identified in the enrolment counting here and at U of T and Trent are being resolved.

On the question of special dispensation, we saw that one of the interesting things in the three audits was that somewhere in history there was a special dispensation for one reason or another. I would argue that in a system that has the kind of variety we have, one has to come to expect to have those special dispensations. The issue is, how can we and the ministry more effectively monitor those? My sense is that as a result of this process we will be in a better position to do that with them.

**The Chair:** I am sorry; I am going to have to interrupt. We have a few other questioners.

**Mr Johnson:** Whether the presenters or Dr Segal think the integrity of the university is impeccable or not is not really important. What is important is, does the public think the integrity of the university is impeccable or intact? I think we cannot forget that. So as I read through their presentation today I see some problems, because I am very concerned. When the public sees any institution or any agency of the government as being pompous or arrogant, it bothers me a lot.

As I looked through this presentation again and as I heard it read to me, it bothered me somewhat, especially on page 11 where they said "it is doubtful whether an inventory could be maintained effectively." We are talking about accountability, and if we are talking about accountability of assets, I grant that the university has the right to autonomy and I understand that, but when we are allocating public funds to universities for their use and we as a committee, we as a government, are responsible for the accountability of those funds, then likewise I think the university is accountable. It bothers me somewhat when I hear them say that they doubt whether they could maintain an inventory or be accountable. I interpret it to mean to be accountable for some of their assets, so I have some concerns.

**The Chair:** You have sort of posed a question and maybe we should give the witnesses an opportunity to respond to whether that was what page 11 meant. Would anyone like to respond?

**Mrs Gelberg:** I am going to start and then I will ask Dr Segal to perhaps explain some of the nuts and bolts that are involved.

Mr Johnson, let me assure you that when I first was on this board as a lay member of the public, I had some of those same questions. When one goes into an institution that is as complex and as large and as varied as the University of Guelph, and its variety and its own sense is different from the variety of the other institutions, you begin to have some inkling of understanding what goes on there.

At first blush it looked like this was an easy thing to do. You list everything and you have got a list, probably this thick, and on you go. There are so many various locations which make up the University of Guelph. There are so many various colleges, and within those colleges, departments, doing very different kinds of things that make up the University of Guelph. It is not simply a matter or an issue of just listing what we have, and we were not in any sense being arrogant, I can assure you.



What we were trying to do is ensure that every cent that was spent—whether it was money from MCU or money from some other member of the public, in the end it is all in a sense public money—was being protected. We very rapidly discovered that what was important was protecting those assets, and that in many instances the simple listing of an asset did not provide any protection. But I would like to ask Dr Segal if he would perhaps just describe to you in more detail the nuts and bolts of some of the operations and why an inventory listing not only is not going to safeguard the assets but in some cases is almost impossible.

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**Dr Segal:** If I could just reiterate, in re-reading the document, I do not sense that anything here was attempting either to say that we could not be accountable or that we are attempting to be arrogant. I guess our view is that in a hierarchy of decisions around accountability, it is in fact more accountable not to spend \$100,000 a year if you do not fundamentally believe it is going to prevent the loss of equipment, and I guess that is the decision the board has taken. Let me say, however, that given the ongoing concerns raised by the Provincial Auditor and others on this issue, the matter will once again be reviewed by our board, but I note that in a document, I believe tabled the other day, the Provincial Auditor talked about the decentralized system at Algonquin and how that seems to be working. We have been in touch with Algonquin and our impression is not the same as the Provincial Auditor's on that question.

In fact it is a centralized system. We understand that they began the system by recording every item worth \$15 or more, then they upped it to \$50 or more, then they upped it now to \$100 and are trying to get it up to \$500. Then each department actually gets a huge printout, because they have not removed any of the \$15 items, of all of the items that are supposed to be in their department and given the amount of time that they have available I am assuming that the departments say, "Yes, I guess that's there."

The losses at Algonquin are about \$35,000 a year, as we understand it, which is the same as the losses we have at the University of Guelph with a much bigger asset base, so I guess what we are trying to do is make a judgement call about what is really in the best interest of the university, given the availability of funds.

If I could give you a classic example of how either a central or a decentralized system could create problems, you take our department of crop science. If you go and conduct an audit of their inventory in the middle of winter, you have no problems whatsoever. Let's say you go in around December and you go to the various different holding areas and you do a central inventory of that equipment. You come back and try and do the same thing in the summer. That equipment has now been dispersed over seven or eight miles of different lands in a circumference of 45 miles from the university.

Then we would have to fill out a slip which moves it from the central warehouses to the field, and then if they

move it from Arkell to Elora it would require a slip to do that because you have to transfer where the asset is, and at the end of the day we may come back, six months later, and find out that instead of having 75 seeders we have 66 seeders. We may not know that some smart people decided to cannibalize four seeders in order to get enough seeders to make it work.

I guess from our point of view, when we try to take this through the logic of how it would work, we do not come to the conclusion that centralized or decentralized it would be effective. Right now, we do not want to have to impose more workload on departments that are already massively overworked and underfunded.

I guess it is up to my board, and as I said, I think the board will want to have another look at this issue because it is something that the board has looked at continuously, well before the Provincial Auditor came to visit.

**Ms Poole:** Thank you for your presentation today and your very eloquent defence of the various forms of accountability to be held in a university. I am actually interested in doing a follow-up to Mr Johnson's question, because it was of concern to me as well. Perhaps I can explain that part of members' concern in this area may stem from the fact that both in Guelph and at Trent there was no centralized system of accounting for assets, so it was very difficult to tell what the theft ratio or the loss ratio was. At the U of T, where they did have such a system, there appeared to be quite a number of discrepancies and it appeared that the system was not working very well, I guess is the best way to say it.

While I understand your comments about how widely dispersed the university assets are and the buildings are, by the same token you have said, for instance, that "theft losses for university property...averaged \$35,000 a year." I would assume those would be the losses for which you could account, but without a central inventory you really would not have any way of determining what had been lost or stolen. This is what was noticed, identified and reported, but it does concern me that there is no mechanism to determine how valid that statistic would be.

**Dr Segal:** I appreciate that and I think you are correct that when we identify losses, we identify those losses that have been identified, and frankly the losses identified of university property are substantially lower than personal losses, stolen bicycles and a whole bunch of other matters that happen on campus. But it is important to note that we have very strong controls over major asset categories. Our computing equipment is inventoried. Our fire equipment is inventoried. Our library holdings are inventoried, and even with probably one of the most sophisticated systems of library inventories, we identified that 1,000 out of 2 million volumes were missing.

So you have a very significant system. I am not sure that there is a relationship always between the capability of the system and whether things stay or not. Even in the case of the library we frankly did not know at the snapshot time we did it whether they were missing or whether the undergraduate trick of hiding a book in a wrong location so he can get it again was at play. Around exam time that trick



remains there. We also have our art collections, for example, all of our major equipment, the cooling systems or massive air-conditioning systems, vehicles and things of that nature.

I guess the issue that you are raising and the committee is raising—which is a fair question, and we are trying to pose it and we are certainly interested in advice on it—is that one has to computerize the system. We might get a bargain, but essentially we are looking at some upfront capital costs of hardware and software in the vicinity of \$300,000 or \$350,000. That would buy a lot of microscopes. In addition to that, we are looking at the maintenance of the system and about \$100,000 a year central costs, plus we are looking at what would happen in every single local department where the accounting practice has to come. Whether it is a centralized or decentralized system the costs are going to be there, because there has to be some record or method of recording it.

I guess if the public accounts committee is of the view that we ought to go back and have another hard look, and yes, take a look at the relationship between those costs and the results, then I think our board would be delighted to do so. I do not think we are trying to be difficult; we are just trying to say that given everything we see before us, we are not sure that is the best way of doing it.

In an ideal world, I do not think there is any question that if we had all the money that we needed, yes, we could put a sticker, as Queen's Park does, on every chair. For example, if I had a sticker on every chair and table that is used for the examinations in our gymnasium, it would be so funny because they are collapsing. They have not been replaced in 35 years and here we are sending people around to go look at whether this battered, broken-down chair is recorded on a central inventory. And so what if we find out that it is? I mean, we needed to replace a lot of that stuff a long time ago. So I guess those are some of the inconsistencies we are struggling with.

**Ms Poole:** I guess your basic premise is that since there is nothing supporting the fact that it is indeed a problem of theft, loss, misuse, whatever, given priorities, given the type of money you are talking about, you would rather put it into something which has more tangible results.

**Dr Segal:** I think also, if I may, we have a very highly decentralized budget system and if a major piece or even a minor piece of equipment is missed by a department, it has nowhere to go. It is their problem. So if they need a tape recorder or if they need three or four personal computers for particular tasks and those computers are missing—they will report the computers because of the deductibility on the insurance policy—they have a vested interest in locking their equipment and maintaining their equipment.

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**Mr Hope:** You talked about volunteer work and most of us are familiar with volunteer work of sitting on boards of directors. The question I raise is when you talk about rubber-stamping, when you talk about the makeup of the committees, I have a hard time believing that, to be quite honest with you. Most stuff is directed and it is rubber-stamped in most organizations that I have been involved

in. I do not think this one is very much different than any other organization.

You had talked about the makeup of the board and the makeup of the committees in themselves. Does the student body play a major role in what takes place as far as the input is concerned? What ratios do they work on on boards? I am looking at the ability for power, recommendations that have been put forward, the number of recommendations that are also being looked at and acted upon, or whether they were just set to the side.

I guess you know I am starting when I read that word "rubber-stamped"—a lot of us do not like the word "rubber-stamp." A lot of us air concerns, but we know through the system in itself, the system overrides and the overriding board is the one that makes the decision. They may not say it is rubber-stamped. I can put forward all the recommendations I want, but will they go through?

I want just some clarity about the committees, because you said the lay board members would sit on three or more committees. What does the lay board committee consist of, and also, what is the ratio versus non-directive influence as far as the overall board is concerned?

**Mrs Gelberg:** First of all, I can assure you—and I chair the pension and benefits committee; I have been on that committee for some years—there is no rubber-stamping. I, personally, have spent hundreds and hundreds of hours in the last nine years working on policy for pensions and benefits and policy for the investment of the pension funds of the University of Guelph. We spend a great deal of time. We used the word "rubber-stamping" in the sense that we were trying to reassure you that that does not happen. We have very active committees.

Our two student members obviously cannot be on every committee, but they are appointed to their fair share. Believe me, they are not reticent about asking questions or making their feelings known and we pay attention to them. There are very many issues where they have a different perspective than we have. That is what they are there for and we find that, by and large, very helpful.

The same goes for our faculty and staff representatives. We have representatives of both the faculty and staff, and have had in the past, on the pension benefits committee. We have them now on a committee that is advisory to that committee and, once again, they have often a different viewpoint. Perhaps sometimes they just see things from a different direction and they are very much paid attention to.

I can speak for the board that we have now and tell you that there is no one there who will rubber-stamp anything. I suspect our administration would be happy the odd day if we had the odd rubber-stamper. Because of that, we ask a lot of questions, but we expect answers and we get them. We ask for a lot of explanation. Many of the issues with which we deal are indeed complicated for laypeople.

I have some background in the issue of pensions and investments, but if one has no background at all in that, it is a very complex matter and it requires a lot of time to help people understand what is involved. So I can assure you that certainly any committees that I sit on or have sat on of this board do not rubber-stamp anything. There is



great deal of work done, there are very many questions asked, and very often things that are brought as recommendations from the administration are sent back for further investigation and more information. I do not know if that satisfies your concern. Is there anything else?

**Mr Hope:** I guess what we are hearing is the viewpoint that you have put forward and I guess when you say you hear—a lot of people have heard me but have never done anything about it and that is why today I am sitting in this position that I am, because I knocked or kicked on doors and never got any action. So I guess I question when you put it that, “Yes, they were heard.” But what influence do they really have?

**Dr Segal:** Let me give you an example. This is a little more current example, but early in the new year we had moved the fine art department out of an old building downtown in Guelph as temporary accommodation because there is a major renovation of the old building going on. Students came to the board and expressed some grave concern about the environmental and working conditions in the temporary quarters.

The board made it very clear that it was not going to tolerate that and that action had to be taken, and it wanted to hear back about the results of the action—which in fact is what took place. There was a letter from the affected students directly to the board indicating that they were satisfied with the changes. I think that is significant input.

If I could just add one other point, unlike corporate boards where, by and large, board members meet with senior staff and not with anybody else, the University of Guelph board does not only meet with senior staff but with students; it will meet with faculty, it will meet with alumni, and in areas of complexity, it meets with outside consultants. The pension and benefits committee, as lay members, spends as much time with the pension consultants as the administration would.

That would be the same thing in physical resources. The physical resources and property committee of the board will spend a substantial amount of time with the architects and with costing of projects and other capital matters. I think my sense has been right from the beginning that it is important not just to have an active board but to have a board that is heavily engaged, not in the itty-bitty administrative stuff but in the larger financial management issues.

**Mr Hope:** Why I am posing this question is because the first statement says, “Universities are different from government, industry and profit-making corporations.” I do not know how you are categorizing yourself much different than those.

**Mrs Gelberg:** Let me make one more attempt at this. I am not an elected member of the board of governors, although I was originally an appointee of the Lieutenant Governor in Council, then was gone for some time and am now back as a university appointee. But I can tell you there are many days when I feel no different from the way you must feel, because our constituents are not at all shy about making their views known, making their demands known, and they find me wherever I may be.

I no longer live in Guelph but they seem to know. And they have no trouble finding me, either showing up at my door or getting me on the telephone, and as with public life or political life, I consider my work on the board of governors to be public life because almost everything that we do, save for property and certain personnel matters, is done in the public forum. I consider that to be a part of public life. As with you and public life, I can assure you that you ignore your constituents at your peril. It is no different in the university than it is sitting in the Legislature in that regard.

**Mr Hope:** That is why I pose it, just because, you know, when they meet the end of the road with you, they come to see us and say, “Look, we need the government to do something,” and we are acting on their behalf.

**Mrs Cunningham:** Thank you for being so frank, Mrs Gelberg, in your responses, certainly as a person who represents the public in a different way. Just to put what we are doing here in some sort of perspective, I sat on the finance committee last week where Dr Prichard made a very eloquent, probably one of the most eloquent, briefs to that committee on behalf of the universities. I know all the members of the committee were somewhat taken aback by his strong use of words. I think most of us would share his concern, that is, the crisis that Ontario universities find themselves in. He used the words “developing tragedy.”

It is not new to us, except it is new to know that we are now 9th out of 10 in funding. I am saying that to put what we are talking about today in perspective. In order to get the kind of support I think we need as elected representatives from our constituents to change things and, ultimately, for me in opposition—by the way, the only purpose that I get to speak more than once at the committee; I mean, they have to take turns and we get the fair share in parties here.

One of the real concerns is when you read the table of contents—if you read it out of context or did not know very much about the universities—of this report, the report on the inspection audits on the University of Guelph and others. It does not look great if you take a look at the titles, does it? We were talking here about the safeguarding of assets that Mr Johnson approached and we talked about the claiming for students not attending the university, those kinds of things. There may not be a lot of money involved, but certainly in the eyes of the auditor there always is, because he is pretty stingy about every dime and that is good for us.

1510

What we are trying to do today, I think, is to make things better. I would ask you to respond to some of the choices that I think we have, just myself, from having listened and from having taken a look at some of the comments, especially from the auditor himself, and now in response from the universities we have got an opportunity for you to respond.

He has talked to us about the real concern, and I think—and I may be wrong, but he is sitting here and he can jump in if he wants to—what he is telling us is that nobody wants to take any responsibility for this, from the

government's point of view. Certainly the administration of the government has said the universities are autonomous in a sense, and no one has clarified how autonomous they really are.

This whole business about monitoring and knowing what is going on and asking for appropriate reports, which is where we left in our last discussion today, concerns me greatly. I do not like, as an elected politician, government officials to tell me, "Well, it's the universities' responsibility," and then the universities to say: "What are they doing up there? They've left their letters for seven years and nobody bothered to tell us. How can we do the work?"

Now these are, I think, specific choices. We may change as the days go on, but we can take a look at the legislation itself, because the auditor has said, "To whom these governing bodies are accountable is an issue that remains in limbo." Those are his words. You may want to respond to that. So we can take a look at the legislation perhaps.

We could also take a look at some guidelines for administrative matters, more specific guidelines. God help us, I do not want to be part of building a bigger bureaucracy. I would rather give the money to the university so the students would have smaller classes. But, you know, somehow it easy to say, "We're looking at it," or, "We've got a pilot project," or "We've got another layer of government." I do not want to be part of that. But if somebody can write some quick and dirty guidelines, I could probably buy into that.

Sooner or later, somebody has to be very specific and say, "It's your responsibility for monitoring," either to the government offices or to the universities, "You will fill in this form, or the outside auditor may come in here and he may be the one that talks about"—I think I am using the words correctly when I say "the accounts of the university have been fairly presented." Quite frankly, as a school board trustee, I did not care about that. I wanted to hear from the auditor where we could be more efficient.

I have really thrown a mouthful at you but I see three things that we could consider as a committee.

**The Chair:** Can we ask one of those people to respond to your suggestions?

**Mrs Cunningham:** You are so timely with your interjections, Mr Chairman. You should have cut me off five minutes ago, but anyway go on.

**Dr Segal:** I would be delighted to attempt to respond. I should point out, Mrs Cunningham, that I hope the ministry and perhaps the Provincial Auditor and the Council of Ontario Universities have an opportunity to really think through your questions in more detail and provide not simply an off-the-cuff response but a more comprehensive response.

I do think there are ways in which, without undermining autonomy, which I do not think the Legislature would wish to do, we can—in fact, if I may, on Mr Johnson's point—appear to be more accountable than we appear to be based upon a cursory reading of the report. Some of the avenues available to us might be in some kind of report covering all of the areas that I alluded to earlier in your

question about accountability. It will mean more work, but essentially universities could be asked to provide a comprehensive accountability report which would include not solely the external auditor's view but the results of evaluations and a whole host of other forms of accountability. I think that is one way.

I know the Provincial Auditor is pitching for more authority and would like more responsibility to come into the universities, and I think when you read the table of contents of his report, yes, you can be misled by it and you might wish to have a discussion with him about more neutral language. We certainly had those discussions with him, but neutral language does not lead to the kind of coverage that sensational language does. That is an editorial matter. I would not want to dwell on that.

I think the question of furthering the role of the Provincial Auditor is an important one because, as I read his intentions, the areas that he would like to pursue relate to matters that come under the purview of senate, ratios of academic to non-academic staff, for example. Why 30 courses for a BA degree? Why not 21 courses for a BA degree? Why 40 for an honours Bachelor of Science? Why not 29 courses for an honours Bachelor of Science? You could be more efficient. The auditor may even recommend that we take all first-year economics students and put them in the Dome. You can have your per-unit costs lowered as a result of that. I guess the point I am making is—

**The Chair:** Could I just interrupt? I did not read any of that in the report and if you are ascribing that to—

**Dr Segal:** No, not in our report. I was reading it in the report that I realized was tabled about—the auditor is commenting on the fact that the boards do not appear to be accountable, and I guess I am trying—

**The Chair:** But I do not think, in fairness to the auditor, in any way, shape or form he was suggesting that he would get involved in things that are strictly sacrosanct in terms of the autonomous nature of a university.

**Dr Segal:** Without being disrespectful, if I read into the notion of ratios of academic to non-academic staff, I would think that certainly is an area that may well fall within the purview of senate.

If I may just conclude, I guess the issue really becomes, how can we publicly ensure that the universities are perceived to be more accountable, including reporting on the work of our external auditors, but touching a whole range of other areas where we know we are accountable, but defining them more publicly than we have been doing and making them more transparent in the future than we have been doing in the past?

**The Chair:** Mrs Cunningham, we are going to have to move on. We have a number of other questioners.

**Mrs Cunningham:** I think, in fairness, we were looking at changes in legislation. We were looking at administrative guidelines or more efficient monitoring. So you have said that the monitoring would be your choice.

**Mrs Fawcett:** Some of the questions that I had have been touched on, but just getting back to the safeguarding of assets, I understand correctly then that each department is sort of accountable for its assets. Is that where it stops?



Do the departments ever get together or is that not done? I can understand the tremendous costs—It has been cited here as possibly \$100,000—to do the whole thing. What if you just did certain sections, like we do, each year? We do not do the whole government every year; we just do certain areas. Has that been thought of, or do you have any plans to maybe do a little bit more than has been done?

**Dr Segal:** I think there has to be some central inventory established, so there are going to be front-end costs. Do you want to do that?

**Mrs Fawcett:** But if each department is doing it, you already have that done, right? It is just getting it together, collating it. Is that going to be \$100,000?

**Dr Segal:** I think that would be part of it. Let's say that you have that done. Now you have to go back and the department and the university have added a range of other equipment. That has to be recorded by the department and then you have to go back on a regular basis and have them audit it to make sure that in fact all of it is there. That is where you begin to have—

**Mrs Fawcett:** Is the new equipment coming in being recorded now? Is that automatically being recorded and listed?

**Dr Segal:** All large equipment, all computing equipment, all library holdings, all fire equipment, all audio-visual equipment is recorded. We have recordings of all of those areas. But as I said, in hearing the concern of the committee and taking the concern seriously, I think it is a matter that should again be looked at by our board of governors.

**Mrs Fawcett:** I was just interested in the sabbatical problems and cited problems of lack of reporting and sort of people refusing to report. I just wonder what the criterion is for granting sabbaticals and why would someone object to submitting a report?

1520

**Dr Segal:** If we talk about the current policy that is in place, that was established in 1987, that policy, we do not have a sabbatical policy. It may simply be a play on words, but we do not see it that way. We have a study/research leave policy. Individuals must apply to their department heads and must be approved by the dean if they wish to have a study leave. After six years, they are entitled to two semesters. That is eight months of study leave. The auditor is correct, approximately 9% to 10% of the faculty would be on study/research leave at any point in time. The average number of years when study leave is taken, if you divide it among the faculty, is probably between 9 and 10 years. While the policy states every 6, it probably ends up being about 9 or 10. Frankly, at least 30% of the faculty do not take study/research leave even though they are eligible for it.

The policy, you have correctly identified, is that they must submit a report upon return. We are implementing that policy, given the one or two problems that the auditor identified. We, as a result of that, have tightened up the reporting requirements and are ensuring that reports are submitted.

The issue of what happens is that we do have from time to time one or two recalcitrant members of the professorate who may not always be inclined to agree with policies that have been collectively agreed to, by the way, between the faculty and the university. There are sanctions within joint faculty policies to deal with that and those sanctions will be implemented. They range from a letter of disappointment which goes into the file to a suspension without pay and so on, and those policies are being adhered to.

**Mrs Fawcett:** Thank you very much.

**Mr Charlton:** Perhaps first we could deal with a couple of questions that I have on the funding issue around the enrolment question. I just want to be clear in my own head what it is that your response is saying here. I would gather from my listening and my re-reading of the sections on pages 7, 8 and 9 that essentially you are ending that off by saying that the University of Guelph has not received a cent of extra funding from the province as a result of the enrolment recording, and I would assume that you are saying that essentially for three somewhat separate reasons.

The first one is that you were accorded a special agreement in 1977 and from your perspective that agreement was not ceased and therefore it is not your problem that the ministry did not cease that agreement. "So you cannot say we got extra funding as a result of that." That would be the first one.

The second is contesting the question of—what is the phrase they use here? The first-year students were being miscounted as upper-year students and you are basically saying, "There are only 44 out of 21,600 and therefore we do not find that as any significant problem."

Third, in terms of the question of differentiating honours and general students, your numbers in fact come up relatively close, the criteria for honours standing have a high degree of correlation with the actual graduates out of the university and therefore the numbers would stand up. Your last point, I guess, being that you are within the ministry guideline of 2%.

**Dr Segal:** Yes, if I could perhaps start with the last point, if you assume that every institution in the province is allowed a 2% error factor; furthermore, if you assume that all of the errors identified by the Provincial Auditor—some of which we do not agree with, but assuming those are errors—are below 2%, one has to assume that the random distribution of errors within the system would not be any higher at Guelph than it would be somewhere else. In fact, I think the three audits identify that there is a random distribution of errors within the system. Also, my institution alone has 450,000 separate registrarial transactions on an annual basis. On that basis, if everybody is within the 2%, we are within the 2% and therefore we have not received any additional money. That seems to be the covering point.

**Mr Charlton:** Having said that, you have also said, though, there were some clear problems identified in the reporting mechanisms.

**Dr Segal:** Yes.

**Mr Charlton:** I do not want to pursue that in the context of whether or not there were past moneys—we have dealt with that for the moment; I think the auditor may want to comment on that himself again—but from the perspective of where we are going in terms of changing the procedure in terms of monitoring and recording, will we eliminate the kinds of problems that we saw here at Guelph, eliminate the kinds of problems in terms of what is a special arrangement and what is an ongoing system and all of the other things that are more general to the rest of the system?

**Dr Segal:** It is my view that we will significantly address those problems, because I think the areas identified have all been clarified. I believe the ministry has requested from all institutions all special arrangements, and to the extent that they currently exist elsewhere and are inappropriate, they will be changed and they will be monitored. The OCUA has completed the document on honours/general and the counting thereof. I do believe that the deputy minister here yesterday indicated the government has accepted that and that will become part of the operating grants manual 1992-93, resulting in a consistent counting process across the province. I believe also that we have clarified the issue of what is a first-year versus upper-year student, ie, that any student who has eight courses can be classified as an upper. Eight half courses can be classified as a third-semester student. So that matter, I think, has been clarified.

In our case, the 1977 letter, independent of whether we debate about history, has obviously—we have been told we can no longer count that way and we are not counting that way, although that does not remove our disadvantaged position, frankly. But we will live with it.

**Mr Charlton:** All right, my last question on this part of the auditor's report is simply on this 2% allowance for errors, will that be necessary in the new system? Do you think we can get to a much lower percentage?

**Dr Segal:** Well, we obviously—and I think the Provincial Auditor has helped a great deal—have dramatically tightened up our systems, and our view is that we should be substantially below 2%. We think if you multiply the transactions at the University of Guelph, which are about 450,000—when you think of it, students come and they drop courses, add courses, they stop in the middle, they change, they change from one program to another. All of that sort of takes place and you have to capture all that. I think the permissible limit of 2% remains wise in the context of the diversity and also wise in the context of no extra money is going to the system as a result of it. The government decides how much it will allocate to the system and all the 2% does is it has an impact on the way in which it is distributed. But I think if what you are saying is, ought we to be closer to 0%, the answer is yes. Ought we to try better and harder to get closer to that? The answer is yes.

**Mr Charlton:** The last one I want to hear from you is that we will get closer.

**Dr Segal:** Yes, we are getting closer. I think we will get closer and we are getting closer. I believe that we now have to report not just whether we are within the 2% but

other problems that have occurred within the 2% so that the ministry is aware of where the auditor has identified some other problems.

1530

**Mr Charlton:** Just very briefly on this assets question, my understanding of essentially what you have told us is that there are parts of your asset inventory that you in fact have control of and it is those areas where you have been able to identify losses. You have said you have control of, for example, the fire equipment, and a lot of your losses are in fact in fire equipment and the reason why you have been able to identify those losses is that they are part of a list of control systems.

**Dr Segal:** No, I am sorry. I did not mean to leave that impression. I believe we have control over many more of our assets than those that are simply listed on our inventory systems, and I think the losses have come, as Mrs Cunningham has identified—or I think it may have been Mrs Poole—from the reports made by departments. They would report any losses, whether the item happens to be recorded or not.

**Dr Segal:** Well, they first report it to the university police and security. There is an investigation that takes place. This is not just an open door. I mean, we do have a security system, we do have university police. Our net of \$35,000 of losses, I believe we recovered about \$10,000 of reported losses through police investigation. So that is there.

**Mr Charlton:** Okay. Let's get back to your comment earlier about the \$35,000 being identified losses. Essentially what you are saying to the committee is that you do not believe that setting up a centralized system where investment in computer hardware and software may cost you as much as \$350,000, and an operating cost of perhaps \$100,000 a year to operate the system, that the cost of that system would be greater than the total of losses reported in any small amount unreported presently. Is that essentially what you are saying to the committee? I would assume that all of the universities in the province to some extent have the same problem. The University of Toronto has some kind of system in place.

The auditor has identified a number of discrepancies and problems with it even when there is a system in place, so it is not necessarily the answer just to have a system. Would it make sense for us to perhaps look at globally, perhaps picking one of the universities as a test place rather than just to have you talk about it every year or every second year and decide that it is not worth doing, and never really being 100% absolutely sure that you have a handle on this question? Would it be worth our while looking in a global way at trying to pick and do an identification test to determine whether pursuing the matter further is really worth while or not?

For example, you mentioned that if we were to do an inventory tour at Guelph in December, it would be much, much easier to do than if you were to try and do it in May. I understand that. It being an agricultural university, that is going to be true. I guess what I am getting at is, would it make sense so that we are not talking to Guelph and to



U of T and to Trent and others and having them say, "We'll consider it; we'll think about it"? Would it make sense for us to consider trying to pick a place to do a test to find out whether you are right about the losses being much smaller than the cost of identifying those losses?

**Mrs Gelberg:** I guess you could go into one institution, certainly, and do a test case and try it.

**The Chair:** Probably Kingston Penitentiary.

**Mrs Gelberg:** Maybe, yes. But as a taxpayer in addition to a board member, it does not make very much sense to me that we would expend \$300,000-plus of capital and \$100,000 annually to put in place a system to protect losses which we know to this date average \$35,000 a year, some of which are recovered.

**Mr Charlton:** You believe.

**Mrs Gelberg:** No, I think we can say more than we believe, Mr Charlton, with respect. Let me try for a minute to explain why. I think sometimes people think of universities as this big place into which everything goes. And in fact in much more sense is it definable units. I guess the best example that comes to mind is a department office, for example, in the MacKinnon building at the University of Guelph, one that I am reasonably familiar with. If you go into this department office, it is in fact two or three smaller offices. It is self-contained, it is locked at night when they are not there, it has in it a couple of computers and in the old days it had a typewriter—I do not think we have too many of those any more—some filing cabinets, some desks.

In the chair's office there is a couch and some chairs and a table where they hold meetings. Those people would know very quickly when they went there tomorrow morning if something were missing, and we depend in some sense on that as part of our control, in addition to all the things the president spoke about, in addition to inventory lists for insurance purposes.

We also have another wonderful incentive. We promised someone earlier that we were not here to cry, but given the tight financial constraints under which we live, each department is responsible for the first \$5,000 of losses and if things are missing or lost, it comes out of its next year's budget. I can assure you, having worked with those people, that there are a lot of things that they both need and want and that is a pretty powerful incentive for them to keep an eye on what is around.

So it is not just this big hole into which everything gets poured and nobody keeps track of it and nobody counts it. It is a series of little places, if you will. So in that sense there are people who know what is there and they do know when things are missing and they do tell us.

**Mr Charlton:** I hear you. I also know, though, having worked in a number of institutions and in the government itself, there are all kinds of things that happen that never get reported. I am trying to get a sense of whether it is worth our trying to—not by imposing it on all of the universities but trying to define whether the concerns that the auditor has raised may go deeper than what we understand at this point in looking carefully at the system from a test case perspective.

**The Chair:** I do not think that requires a response. I think that was a statement which you can mull over. We have to move on because we have a number of other people who would like to pursue these matters, and perhaps this will come up again.

**Mr Daigeler:** Dr Segal, judging from your remarks in response to Mrs Cunningham, it seems that you agree with a greater degree of public accountability of the universities. I heard you say mostly, though, about initiatives that the universities, perhaps together with the ministry, could be taking; I did not hear you say very much about the role of the Provincial Auditor and I would be rather interested to hear your views on the possible continuation of the inspection audits. I think the auditor gave us to understand that he was not very welcome at the beginning. Has this climate changed? Second, how do you feel about expanding that mandate of the Provincial Auditor towards what he described as due regard for economy, efficiency and effectiveness?

I am saying this because I am rather confused by what I hear, on the one hand, from the universities, where the council of universities is saying that the educational experience afforded the citizens of this province has suffered enormously over the past decade and that the damage done must be repaired and, on the other hand, the Provincial Auditor, in his overall report on the basis of these three inspection audits which he presented to the Deputy Minister of Colleges and Universities on December 20, says at the end, "Accordingly, we are of the opinion that accountability for the significant amount of funding provided to Ontario universities remains inadequate." I think I am leaving you a pretty heavy question here. I am just wondering what your comments would be on these points.

**Dr Segal:** I think I would not comment positively or negatively on the continuation of inspection audits as they are currently defined. Obviously the Provincial Auditor has the authority of his legislation to do so and it would be up to him and his committee to decide whether he wishes to continue to do it or not. I think, and I was trying to allude to it earlier, on the issue of efficiency, economy and effectiveness, I am not sure the only way of calculating effectiveness is through an accounting procedure. One has to identify the variety of modes through which one measures effectiveness and I think if the government wishes to establish effectiveness standards, I am not sure that is something that only the Provincial Auditor should have a say in. I would think the ministry, in consultation with the university, should be looking at the issue of evaluation and the issue of standards, as I believe the Council of Ministers of Education, Canada now intends to take a look at some measures of output standards in the primary and secondary schools across the country.

1540

I think there are larger issues of accountability, not just how many degree graduates you are producing at what cost. I believe there was an Organization for Economic Co-operation and Development study done five or six years ago which identified the current cost of producing an

undergraduate degree in Canada as being the lowest of all the OECD countries.

In my sense, one has to, I think, more clearly define what elements of accountability should be measured by what processes. I do think, as I mentioned earlier, that it would certainly be worthy of discussion between COU and the Provincial Auditor and the ministry to more clearly look at the Provincial Auditor's role. I think also the Provincial Auditor mentioned in that report to the deputy minister that he did not have a sense of being welcome terribly much, and that the universities had narrowly defined the terms of an inspection audit. But he accepted those definitions; he certainly, within the purview of the act, could have challenged those definitions. I think he also mentioned that he did not have access to board decisions. I checked in my institution, and he will correct me, I know, if I am wrong, but I do not believe any request for any information from our board of governors which he requested of us was not given to him.

So we may need more clarification around what the elements of an inspection audit are, we may need to better identify how we can be more transparent in accountability patterns, and we may need to take a look at what are effectiveness measures in addition to accounting effectiveness measures.

**Mr Daigeler:** I certainly agree with you that it is very much a broad picture and we cannot just use one instrument to measure, as it were, the product of the universities; the term itself is perhaps misleading, because I think universities are there not only to produce a product.

In any case, as we are dealing with auditing matters in this particular committee, I am concerned, especially in light of the tremendous campaign that is under way by the university sector to argue for more public funds, when I read in the report from the auditor—and you may not wish to comment on another university, but I leave it up to you—that: “Subsequent to our audit of Toronto, the media reported that the university was faced with a significant operating deficit for 1990 fiscal year due to many years of government underfunding. However, we noted that in fiscal years 1988 and 1989, the university had accumulated an operating surplus of well over \$50 million, which was transferred to a restricted fund.” With that kind of figure, really, you begin to wonder as a representative of the public whether there is something going on here that we are not aware of. On the one hand, I got macaroni thrown at me as a representative of the former government because of the underfunding; on the other hand, I read from the Provincial Auditor, in whom I certainly have a lot of trust, that there is money being transferred to funds over which there is no public control. It just does not look that good.

**Dr Segal:** I know my colleague President Prichard will be here tomorrow, and I think as it relates to any matters associated with the University of Toronto, let me suggest that it would be better to address them to him directly.

As far as my own institution is concerned, I should point out that we have always had a strong belief that just because you are poor does not mean you cannot manage

effectively. Independent of some of the items that Mr Archer found within our institution, the sense is that we have a very high level of accountability to the public via our board of governors and via the ministry to effectively and efficiently use funds that are provided to us by the government.

I know President Prichard will shed a very different light on the issue than perhaps has been shed until now. One does not always get a chance to reflect upon one set of analyses versus another. I think the institution often views things in a different light based on different circumstances.

Let me just suggest to you, if I might, that I would never agree with any assumption that because you are not financed adequately you do not have a responsibility to spend the money you do have efficiently and effectively. Certainly, it is our view that we do that.

**Mr Hope:** I have one question with two parts. The first would be your definition of autonomy, because I was one of the ones who claimed their autonomy back in 1985 when we left the UAW and claimed our own union. I need to know your definition of autonomy. As you stated, it was history. Do we want to harp on history? No, I want to look for the future. What role do you see the Ontario government playing in your future?

**Dr Segal:** I think the definition of autonomy is the ability of a university within the context of government policy to determine its own academic policy and academic directions. I think it perhaps is easier to give some concrete examples of what I would mean by autonomy: the ability to teach courses in the way we think they ought to be taught; the ability to develop content within courses the way an individual member of the faculty or a curriculum committee believes ought to be taught; the ability to establish admission standards and to implement those standards; the ability to establish grading standards and grade progression required for graduation, graduation standards.

All of those issues, it seems to me, relate to the autonomy: the ability of the faculty to speak out on any issue it wishes to speak out on without any threat of coercion as a result of that. Let me suggest to you that they speak out as often against university administrations as they do against any particular government. And academic freedom in the context of an individual's right to do research, to pursue scholarship and to publish and to write in a way that is reflective of his capacities and analysis.

Those are some of the basic tenets I see of autonomy: the right of a university to determine what it will or will not finance in terms of academic programs. It is interesting. The senate of the university determines academic programs. It is the board that decides whether to finance them. That is, if you will, where the checks and balances are. The board can decide it does not wish to support a particular academic direction and will not provide funding or space or personnel to those programs, which is all within the board's jurisdiction. I think the issue of natural justice within the institution is terribly important, and the courts have recognized natural justice within a university as being in the context of university autonomy.



Anyway, those are some examples of what I mean by autonomy.

**Mr Hope:** The second part of the question is: What do you see as the Ontario government's role in your achievements?

**Dr Segal:** Very clearly, the government has the role to legislate us to do anything it wishes to do. The government governs our legislation. The government can change our legislation if it desires to change our legislation. We might want to have some consultation and we might not necessarily disagree. In fact, the assets of the university can revert to government at any time the government wishes to remove the act, so the government has the ultimate control. Government has control over financing, it has control over priorities associated with financing, it has control over reporting, it can have control over monitoring.

The government does, in many respects, steer institutions in particular directions. If the government decides we ought to have a specific fund of money for faculty renewal because of a high retirement rate, they provide a separate envelope. If the government decides we ought to have a program adjustment fund so we can either close down or shift programs to meet government priorities, it provides incentive money to do that.

Those are some examples of the role that government has played and can continue to play.

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**Mr Hope:** Dealing with the first part of the question, where you talk about the autonomy aspect, I just need some clarity. Are you talking about the university as a whole determining the academics it wants to teach, or are you talking about independence among the universities? Why I put that forward is that if we start scattering things around, we are going to end up with a bigger mess than we already have.

**Dr Segal:** You are absolutely right. I tried to put the notion of accountability in the context of government policy. For example, in theory there is nothing that would prevent the University of Guelph from deciding it wishes to establish a medical school. There is nothing in our act that would prevent us from doing that. The chances of the government ever financing it are very, very low, because essentially the government has identified that within the university system there is both overlap and specialization and differentiation. There is rationalization within the system, so we see certain institutions that have a dominant orientation in a particular area, others that are in other areas and meet different stakeholders in different constituencies. I think the government drives that to some extent.

Therefore, by autonomy—I hope I am being clear—I am not suggesting that we have unbridled freedom to do as we will, because we do not. The university system is a highly regulated system, in many respects.

**Mr Hope:** The last question: Do you have a slush fund? We talked about U of T, and I am just posing a question. I have always been direct. I am asking you if you have a slush fund.

**Dr Segal:** I do not think that the—

**Mr Hope:** Not a long answer; a short yes or no.

**Dr Segal:** The answer is no.

**The Vice-Chair:** Shall the record note a slight hesitation prior to your answer?

**Dr Segal:** No. I was not sure if by “slush” he meant the kind of money we use for snow removal.

**The Vice-Chair:** Good answer.

**Mr O'Connor:** As far as being autonomous in your curriculum and how you run your school, your courses, and the senate saying which courses should be taught is concerned, I do not think we have much problem there.

Maybe you could help me. When we talk about a 2% error in enrolment, how many students would that be?

**Dr Segal:** Unfortunately, I cannot answer the question on the basis of students; it is on the basis of basic income units. That would be 2% of 23,000, about 400 basic income units.

**Mr O'Connor:** The thing you use to go through all that is new to me; I was just handed this earlier today. I am sure you are very well versed in how it works and everything else. This seemed quite complicated to me, to a parent. My son, some day, will be going to university, I hope. I do not think I can afford it, but maybe. Anyway, this is a very complicated system. I wondered if you think that perhaps there is some way of making it a little easier and work a little better, a little more understandable?

**Dr Segal:** Let me just say that the operating grants manual is very complicated because the system is very complicated. If you look at 16 institutions, and you look at the incredible variety of full-time, part-time, continuing education programs, undergraduate and graduate, internship programs, co-op programs, and you were to put that on some kind of scheme, it would be mind-boggling. I think what the operating grants manual has attempted to do is add some sanity, if you will, to a very diverse and very complex system. I am not an expert in these matters, but I am certainly not sure that one could have an operating grants manual that was substantially less complex than the system it is attempting to direct accounting in.

**Mr O'Connor:** Is there any way that you think perhaps it should be reviewed, other than just amending it from time to time, that would make it in the end result a little bit less complicated? If we are talking 400, 600 students or whatever basic income units, then maybe that does relate to a substantial amount of money and there could be some sort of system devised to make it a little bit more accountable to the public that asks us about this, yourselves and ours.

**Dr Segal:** Again, I am not an expert in the area of the operating grants manual. I would certainly be delighted to participate in any process that found a way to make that simpler than it currently is. I do not think we are ever going to get, no matter how hard we try—and as I said to Mr Charlton, we will try to be 100% perfect—but if you look at just one institution, and we did an approximate calculation for this meeting, the University of Guelph goes through about 450,000 individual registrarial transactions a year.

We have systems in place to try to account for all those transactions. Given the way errors take place, I guess there is going to be some error, and if you multiply the 450,000—we only have 13,000 students—can you imagine what the University of Toronto goes through with 50,000 students? So somehow, to the extent to which we can be as close to 100% perfect, we would like to do that, but I am not sure we are ever going to get, on an annual basis, much above 99%. One year we might be 99.9% efficient, the next year we might drop down to 98.5% or whatever, but I do believe there are mechanisms now in place to capture the reason why we were not at 100%. That is an important change.

**The Vice-Chair:** I am the last person who is on the Chair's list, and since he has not returned, I guess I had better place my last question. It relates to the payroll and employment benefits. The good news is that the auditor has given you quite a good review in this area, in that he says that payroll and benefit transactions were well controlled. But alas, as usual, there is a "however" added.

The outgoing president, after he ended his four-and-a-half-year contract in 1988, was given over \$100,000 to take early retirement, even though the university was under no obligation to renew his contract and even though the president's employment contract stipulated that he would not participate in the university's pension plan. I wondered if you might like to comment on this particular situation and why it arose that there was a significant benefit to the outgoing president.

**Mrs Gelberg:** Perhaps rather than commenting, by way of explanation, when Dr Matthews was hired as the president of the University of Guelph, as with my understanding of most presidential hires, he was hired, first, as a professor with tenure within the University of Guelph in his own area of expertise and, second, to act as the president for a determined period of time. What happens with these situations is that when someone in that position steps down for whatever reason from the presidency, he automatically reverts to being a professor with tenure. I think that is a very important issue, first of all, to keep in mind.

His situation was a little bit more complicated, because he had been at the University of Guelph as an employee at a time when the employees of Guelph were civil servants. So he was also a past employee of the university who had been there in the capacity of a civil servant. There was a period of time before the university was made the University of Guelph, as it is now, in 1964, when the faculty were in fact civil servants and they had all the benefits of civil servants, particularly with regard to pensions.

There was a promise made to those people that they would not be disadvantaged by becoming employees of the University of Guelph, in that whatever benefits they would have pension-wise as civil servants they would be able to obtain from the university. So when Dr Matthews opted not to renew his term, not to take a further term as president, he stepped down as president and instantly became what he was all along, which was a tenured member of a department.

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But you have to understand that Dr Matthews at that time was 62 years old. He was in a position where he was out of touch with his discipline, all disciplines. Life today changes so rapidly, but even more so within the sciences. He would have required probably a year to a year and a half to upgrade himself, to become familiar with everything that was new and current, in order to go back and teach and be fair to the students, the graduate students, the undergraduate students, he was teaching.

He opted not to do that. He opted instead to take advantage of an early retirement window that happened to be open for a short period of time around the time when he stepped down as president. So he took advantage of that early retirement window and it was not a gift in any sense. It was the amount of money that was computed to be owed to him under the early retirement window and the fact that he was taking early retirement and that he had some leave coming to him.

In retrospect, it probably was not a bad deal for the system. It would have cost the system a lot of money in any case to re-educate this man in order to get him back for what would have probably been only a year and a half, until he was 65 years old. I know it is a little bit complicated, but that is in essence what happened. It was not that we suddenly said: "You're a great guy. We're going to give you this wonderful present." He was able to fit into a program that happened to be in existence at the time.

**The Vice-Chair:** From your comments, am I to take it that this was not in effect an unusual procedure, that some of the details were different than the normal situation, but that this would be followed in another university if there were similar circumstances?

**Mrs Gelberg:** It could happen again. My understanding of presidential contracts in Ontario particularly is that presidents—I can speak for sure for Guelph—the last four presidents that we have had have all been tenured members of a faculty first and president second.

**The Vice-Chair:** There appeared to be a number of instances in which the records for presidential expenses and also days of vacation taken, that type of item, were not really well documented. Has the university changed its policy in this regard? I notice Dr Segal looking very uncomfortable. Do you have anything—

**Mrs Gelberg:** He has no reason to look uncomfortable. We took advantage of the information that was pointed out to us by Mr Archer. I can tell you that a special committee of the board reviewed every expense of the last president and we satisfied ourselves that they were in fact justified. But in doing so we realized there had to be a better mechanism for doing that in the future, so presidency expenses are now reviewed on a quarterly basis in detail by the current chair.

One other thing about vacation entitlement. There is a certain amount of vacation entitlement within the university. People must take that before they retire. In other words, they do not normally get cash in lieu. I can tell you that I was there throughout Dr Matthews's tenure. It was during the time that we had a capital campaign under way,



and I venture to say that he not only did not take any vacation, the man probably hardly got a day off to stay home with his family. So again, we have mechanisms in place to keep track of that and we are being more careful about that, but we were very satisfied in our review that there was absolutely no abuse of the system.

**The Vice-Chair:** So the fact that he got a significant cash sum in lieu of vacation was indeed a very unusual situation dictated by the fact that Dr Matthews took virtually no time off.

**Mrs Gelberg:** No time off, and we made some other changes that you perhaps ought to know about. At that time presidential remuneration and contracts were delegated by the board through the executive committee of the board to the chairman, who was the late Mr Bovey. He made those arrangements with Dr Matthews. We now have a committee of the board that does that. That is no longer a matter strictly between the chair and the president.

That is another change that we have made in response to Mr Archer's audit. Again, we found absolutely no evidence of anything wrong, but we felt more comfortable having wider involvement from a board committee rather than just having the responsibility rest with the chair.

**Ms Haeck:** Just sort of following along in this, I have before me a Toronto Star article of 29 November 1989. It makes reference to the current president and some contractual arrangements given to him as part of coming on board with the University of Guelph. Understanding that as being a public figure my situation obviously does come under some scrutiny as well—and I hope you appreciate the fact that I know where you are sitting right now—by the same token, I think it would only be fair to comment on how you come to a contractual agreement now. I am happy to hear the direction that this is taking, but I think you also understand how this plays in the public.

**Mrs Gelberg:** Even though the actual final details of the contractual agreement were worked out between Dr Segal and Mr Bovey, the decision to hire Dr Segal was certainly not made by Mr Bovey. It was made by a committee of people from within the institution. There were board people on that committee, there were faculty and staff on that committee and there were students on that committee.

It was agreed at the outset by the board that that would be a confidential search. I tell you that in the sense that because it was a confidential search, anyone who applied for the position or was interviewed by the committee was guaranteed confidentiality. I was not a member of that committee but was a member of the executive committee of the board and I do not know who those people were. That was the guarantee that was given to them as part of the process.

Dr Segal, obviously, was one of the applicants. The committee had obtained the services of a consultant who specialized in senior administrative appointments and had some experience within the university system. The committee, once it agreed to hire Dr Segal, had information from the consultant who had in fact searched out what the arrangements were currently within various universities of

our size and our complexity across the country and made recommendations for the level of compensation and any other arrangements that were made. That was how that was arrived at. The final sort of nailing down of the little details was done between Dr Segal and Mr Bovey, but it certainly was not a number pulled out of the air.

**Ms Haeck:** You understand that there is in fact a great deal of concern, and obviously there have been more recent articles and some dismay on the part of the public where some of the perks are perceived to be rather pricey and possibly inappropriate. I put that out. I am happy to at least hear that you have gone through a much closer examination process in recent days.

**Mrs Gelberg:** And have since re-examined it, I can tell you. We are quite confident that the arrangements that were made with President Segal are in fact fairly comparable and are normative for the system and for executives working at his level of responsibility and complexity.

**Ms Haeck:** This again relates to another institution, but some rather pricey golden handshakes have in fact been given. Is there a mechanism that you have established to review that, not specifically in the case of Dr Segal, but at some later date to review, in fact, be it performance or what might have to be paid out in the case of an executive having to leave?

**Mrs Gelberg:** I am not sure what you mean by having to leave.

**Ms Haeck:** A severing of the relationship.

**Mrs Gelberg:** We have no special arrangements right now.

**Dr Segal:** Let me respond to that. I have always been of the view that the board of governors should have the right to dispose of me as president at its will. There is a very specific termination clause in my contract with the board, which was approved by the full executive committee of the board of governors, which specifies very clearly the terms and the conditions under which they can ask me to pack up my books without any notice and without any reason. I think as my vice-chair said—

**The Chair:** Even worse than our tenure.

**Dr Segal:** However, the difference between you and me is, I do revert back to being a professor but I do not get the same pension.

**Ms Haeck:** I am concerned because I know of another institution in this province where in fact there was a difference of opinion and they were obviously given a very handsome remuneration to part company. Then in the midst of also having a rather large campaign from alumni, I would say that some people were somewhat disconcerted to realize that several hundred thousand dollars went in one direction and it was of some concern.

**Mrs Gelberg:** I can fully understand where you are coming from. I can only tell you that we have no intent of parting company, we have no intent of any kind of an award and I can tell you, speaking for this board currently, the way they guard the pennies it is not going to happen in our institution.

**Ms Haeck:** I am happy to hear that. I think that definitely, even for executives of that level, it is wise to have some review process, evaluation process, and that everyone is clear in fact what is at the end. I think there have been some rather interesting things happening in the past and it is definitely good to be on top of it.

**Dr Segal:** My contract is a five-year contract with the university and it does require a review process if it was going to be renewed. That is totally at the discretion of the university. We do not only have a review process for the president, by the way; we have a review process for the vice-president in academic, the associate vice-president and the dean's department chairs. There is a regular five-year review process that re-appointments are not automatic, and that includes the president.

**Ms Haeck:** Just to put a little twist on this, what kind of internal evaluation do you have on your board members?

**Mrs Gelberg:** What kind of internal evaluation on our board members? That is a very good question. I am not sure exactly what you are asking.

**Ms Haeck:** Well, sometimes you have in bylaws of organizations a clause that basically says that if you do not attend three consecutive meetings, the institution—

**Mrs Gelberg:** We have such a mechanism.

**Ms Haeck:** You basically try to make sure that the people who are re-appointed, who are there, are active members, productive members.

**Mrs Gelberg:** We have such a clause within our bylaws which would allow us to remove someone who did not attend. We have only 24 people at our board. We have a tremendous workload and I can only assure you that it is in our own best interests to try to ensure that the people appointed to our board have as much to bring in the way of knowledge and skills as possible to share the work.

**Ms Haeck:** Having been a board member at a college myself—

**Mrs Gelberg:** Then you know what I am talking about.

**Ms Haeck:** But you have to put out the question.

**Mrs Gelberg:** Fair enough.

**The Chair:** Any further questions? That is not an invitation. That is making an observation.

We would like to thank you very much Dr Segal, Mrs Gelberg, and also Mr Ferguson, although while I was here I do not think you got a question thrown at you. I appreciate you and your auditors coming here today and I think you can appreciate that all of the members, as are you people in the university, are concerned. We appreciate your coming here and sharing your thoughts with us.

**Dr Segal:** Thank you very much.

**Mrs Gelberg:** Thank you both for the opportunity to participate and for your attention.

**The Chair:** We have one item that I would like to clear up. You asked to have the ministry back and I am wondering if Thursday morning 7 February at 10 o'clock is acceptable to the committee.

**Ms Haeck:** This Thursday?

**The Chair:** This Thursday at 10 o'clock. We have discussion listed on the sheet and we would fill it with the ministry. Can the ministry be back then too? Excuse me, committee. Did you wish to have the deputy minister here as well or was it simply adequate to have Mr MacKay and Mr Lyon?

**Mr Hope:** We wanted the deputy.

**The Chair:** He would be the person who would be most knowledgeable. What is your wish, committee?

**Mrs Cunningham:** When do we put our recommendations together, Thursday?

**The Chair:** After we finish with the deputy minister. What would you like?

**Mrs Cunningham:** Well then, preferably the deputy.

**Ms Poole:** I would prefer if the deputy minister can attend, if available.

**The Chair:** All right. Ms Poole has said the deputy minister. Would he be available, do you know?

**Mr MacKay:** I am not sure, but we will certainly try.

**The Chair:** If he is available. If not, certainly you two gentlemen will be here in any event. We stand adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 1615.



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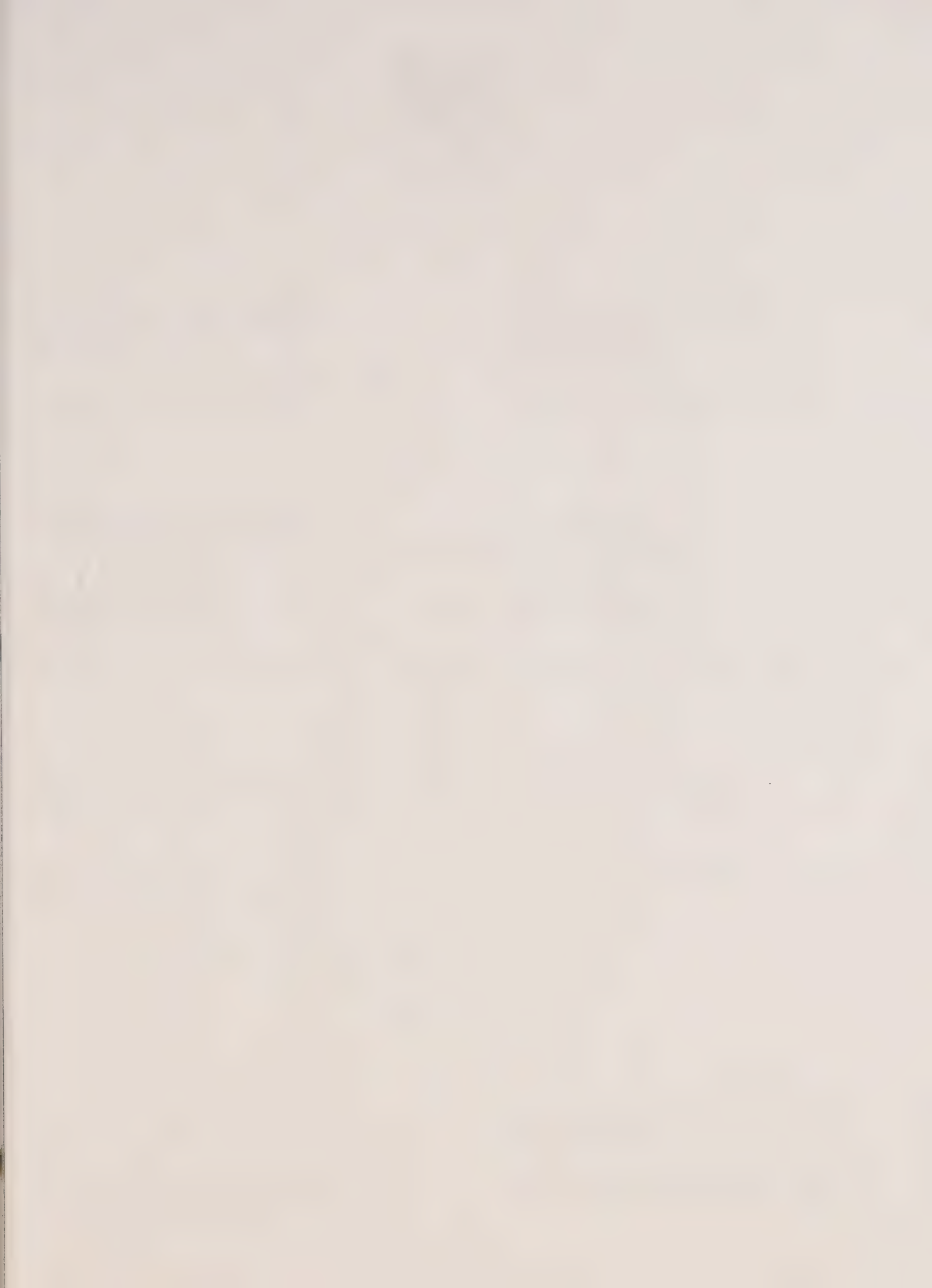
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## Official Report of Debates (Hansard)

Wednesday 6 February 1991

## Journal des débats (Hansard)

Le mercredi 6 février 1991



## Standing committee on public accounts

Annual Report,  
Office of the  
Provincial Auditor, 1990

## Comité permanent des comptes publics

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday 6 February 1991

The committee met at 1007 in room 228.

### ANNUAL REPORT, OFFICE OF THE PROVINCIAL AUDITOR, 1990

Resuming consideration of the 1990 annual report of the Office of the Provincial Auditor.

#### TRENT UNIVERSITY

**The Chair:** We will start. Mr Stephenson, I would ask you for the purposes of Hansard to identify the two gentlemen to your right and to our left.

**Mr Stephenson:** To my immediate right is Dr Stubbs, the president of the university and beside him, Dr Earnshaw, vice-president of administration. My name is Robert Stephenson. I am vice-chair of Trent University's board of governors. Jean de Pencier, the chair of the university's board, sends his regrets at not being here today, but he unfortunately is overseas on business today, which has prevented him from appearing. Seated with me at the table today are Dr John Stubbs, president and vice-chancellor of the university, and Dr John Earnshaw, vice-president, administration and finance. In addition, seated behind me are my colleagues Todd Wilcox, chair of the board's audit and finance committee; Tony van Hoeckel, director of financial services; Susan Wheeler, director of communications, and George Gillespie of McCall Turner and Co, the university's external auditors.

Our opening remarks will be brief to allow us as much time as possible to answer the committee's questions. First, however, we wish to provide you with some information about the university and how we manage ourselves as an independent institution, and to respond to the Provincial Auditor's report of the inspection audit conducted three years ago at Trent. Copies of the remarks I am about to present have been circulated.

Trent University is a private non-profit corporation established by an act of the Ontario Legislature in 1963. The university has a 26-member board, which is made up of 18 representatives of the public at large, two current students, two alumnae and two members of the teaching faculty. The remaining two seats are assigned ex officio to the president and to the chancellor. The Trent act assigns to the board of governors responsibility for the government, management and control of the university and its property revenues, expenditures, business and affairs.

These responsibilities are taken most seriously by the board and its committees. Most of our business is conducted at open meetings, normally attended by the press and reported in local media. We have a comparatively small committee substructure supporting the board, and the terms of reference of the committees are regularly reviewed to determine that the scope of inquiry being exercised is appropriate.

The Trent board has a combined audit and finance committee which by its nature requires the board member involved to master a complex body of financial information, including a full appreciation of internal and external audit results. Among its members are two chief executives of large companies and two chartered accountants, along with others added from outside the board to widen the committee's expertise. Mr Wilcox, whom I introduced just a moment ago, is chair of that particular committee.

Sharing in this responsibility for guiding the university in the pursuit of its mission is an academic senate to which the Trent act assigned responsibility for the educational policy of the university and, in conjunction with the board, the necessary academic structures.

An enduring strength of the Ontario university system is the diversity of educational opportunity it provides to the people of the province. In that diversity, Trent has a unique niche. It is the only institution focused almost exclusively on undergraduate arts and science education. It is intentionally small, and our programs are delivered, to the extent possible, using a small group teaching format, a model normally uncharacteristic of undergraduate programs. Small group teaching requires low student-faculty ratios, and we have the lowest in Ontario, as well as a physical plant designed to accommodate many small classes rather than larger groups.

Within the obvious constraints of this mission, we deliver high-quality education, research and service efficiently and effectively. Our government-grant revenue per student is among the lowest in Ontario, as are our faculty salaries, but we devote a larger share of our operating budget to the instructional program than any other university in this province.

Maintaining these distinctive features has been increasingly difficult over the past decades as resources have dwindled. Early in the 1980s, a growing accumulated deficit required significant reductions in Trent's non-academic operations. We are proud that this deficit was eliminated in 1986-87 and that the operating budget has been balanced since 1982. Of course, this has involved certain costs to the institution. For example, administrative and information systems are underdeveloped, and the administrative infrastructure is inadequate to carry out what at other universities are considered normal institutional analysis functions. To the extent that these self-imposed limitations contributed to the findings of the Provincial Auditor's inspection audit, we make no apology. Our emphasis is where it belongs—on providing high-quality instruction, scholarly work, and service.

University accountability is a highly complex matter which is addressed in an equally complex way. As mentioned earlier, ultimate responsibility for an institution resides with the board of governors. Our financial operations



are all subject to audit by external auditors, to internal audits of operations and procedures, and to audits conducted by funding and government agencies such as the Natural Sciences and Engineering Research Council, the Canadian International Development Agency and the provincial retail sales tax auditor.

Other funding agencies require that we engage external auditors to review how research and contract funds are disbursed. These include the Ontario Ministry of Community and Social Services, the Ontario Arts Council, Industry, Science and Technology Canada, and the Secretary of State. Our enrolment reports are audited annually by external auditors who report directly to the Ministry of Colleges and Universities, and, we would emphasize, have always been found to be correct within the error margins stipulated by the ministry.

We make public reports on our activities to a wide range of government agencies. Statistics Canada accumulates data on faculty and students. Under the Council of Finance Officers of the Universities of Ontario, detailed financial information on each Ontario university is compiled and published annually.

We report annually to the Ontario Council on University Affairs, a body of citizens established and constituted by the Lieutenant Governor in Council to provide the government with advice on university system matters. This body also advises the Ministry of Colleges and Universities on the eligibility of individual programs for public funding and assesses duplication among, and societal need for, the educational programs being funded.

The highly regulated environment in which we conduct our activities both constrains our scope for self-management and provides increasing opportunities for public accountability and scrutiny, whether the subject is pay equity, employment equity, workplace health and safety, hazardous materials in the workplace, employment standards, workers' compensation, regulations governing recycling and waste management, animal care, fire codes, building codes, landlord and tenant regulations—the list goes on. Notwithstanding the growing mass of external requirements or, indeed, perhaps in part because of them, we voluntarily engage external consultants to assess the efficiency and effectiveness of each of our administrative departments on a rotating basis.

The quality of our academic activity is constantly under review. Graduate programs are assessed by external reviewers under the guidelines of the Ontario Council on Graduate Studies, undergraduate departments are reviewed by external evaluators, and our faculty are judged at a number of points in their careers through systems of peer evaluation, as well as every time they apply for research grants or submit scholarly work for publication.

Among the many factions of society to whom Trent University accounts, a key group is our clients: the students who entrust their education and their futures to us. To ensure that their voices are heard in our decision-making, students sit as full, voting members of the board of governors, the senate, the senate budget committee and many other university decision-making bodies. Responsiveness to student concerns and needs is a priority at

Trent, and we have been rewarded in recent years as the growth in demand for admission to Trent has outstripped other Ontario universities.

Donors are another group to whom the university feels a significant obligation of accountability. In an age where universities increasingly must seek financial support from sources other than government, the individuals, corporations and foundations that support us through our fundraising efforts receive detailed information not only about the purposes to which their gifts are put but also about the institution's overall direction and the role it plays in society.

At Trent, we accept the principle that openness leads to more effective management and to better public understanding of the role we play in society. It was in this spirit that the university acceded to the request that the Provincial Auditor conduct an inspection audit of appropriate areas of our books, although, strictly speaking, universities, as recently confirmed by the Supreme Court of Canada, are not part of government nor are they government or crown agencies. To quote from the 29 November 1990 Supreme Court decision on mandatory retirement:

"The fact that a university performs a public service does not make it part of government.... The universities are legally autonomous. They are not organs of government even though their scope of action is limited either by regulation or because of their dependence on government funds. Each has its own governing body, manages its own affairs, allocates its funds and pursues its own goals within the legislated limitations of its incorporation."

We provided the committee in advance with copies of our detailed 1988 response to the auditor's report. While the views expressed in that document remain valid, developments in the intervening three years do in some instances modify the university's responses. The comments which follow take their order from the Provincial Auditor's 1987-88 report.

Enrolment reporting figured largely in Trent's inspection audit, and it is worth mentioning that the enrolment reports investigated by the Provincial Auditor in no way affected the level of transfer payments to the university system. These counts were and are used only to allocate the grants envelope among the universities. Since Trent receives less than 1.5% of university system grants, it would take an excessive degree of counting error—perhaps 100% or more over a period of many years—to have a material impact on our sister universities' allocations.

Second, compared to a decade ago when virtually all MCU operating grants were allocated under an enrolment-driven formula to be expended at the discretion of the institutions, we have experienced a significant growth in a number of directed funding envelopes for which separate competitions are required, with little or no regard for enrolment, and for which separate accounting reports are made to MCU.

Concerning the distinction between honours and general students, we reiterate that as far as Trent University is concerned any allegations of overfunding were nullified by the retroactive approval of our counting criteria by Deputy Minister Dr Brzustowski in a letter to President Stubbs dated 19 August 1988. Further system safeguards have



been introduced since the Trent audit which also have a bearing on the subject of honours and general enrolment counting. The first was the introduction of discrete institutional enrolment corridors for funding purposes which limit funded enrolment fluctuations to plus or minus 3% around an established base line.

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**The Chair:** Excuse me. Is that a typo? That should be 2%, should it not?

**Dr Stubbs:** No.

**Mrs Cunningham:** Enrolment structures.

**Mr Stephenson:** This is the figure which I believe is appropriate for the base line we are speaking about, Mr Chairman.

As well, last fall new guidelines for counting honours and general enrolment developed by OCUA were implemented by MCU. These will ensure greater conformity among Ontario universities in identifying and counting second- and third-year honours students and will effectively address any future concerns about disparities between a university's counts of fourth-year students and the proportions of third- and second-year enrolments reported in the honours category.

The next two sections of the Provincial Auditor's report also concern enrolment counting and are titled "Non-Compliance with Internal University Guidelines" and "Ineligible Students and Courses Included." The university remains of the opinion that the enrolment counting errors identified by the Provincial Auditor did not generate a materially significant overstatement of enrolment. This was verified by our external auditor in 1988. None the less, we have acted on these findings and corrected weaknesses in our registrarial processes, which were largely manual at the time and prone to clerical error. We have completed the installation of an expensive automated enrolment reporting system and hired new staff to oversee government enrolment reporting. At a recent meeting of the board of governors audit and finance committee, our external auditor commented on the extremely accurate results generated by this new system.

The Provincial Auditor's report contains a number of observations about reporting and safeguarding our plant assets; our detailed comments are contained in our 1988 response. We have completed our furniture and equipment inventory, which now lists over \$9 million in assets. It is audited annually by our external auditors, giving particular attention to desirable, portable items. The capitalization threshold remains at \$1,000, and asset records are adjusted for items valued in excess of this amount including those discarded, lost or sold. Trent's computerized library system is now in place and we will be able to identify lost and stolen books this year.

The Provincial Auditor found our payment and payroll practices appropriate, which was satisfying given that these are areas where the exposure to risk is greatest, when over 80% of the operating budget is devoted to employee salaries.

Finally, our response to the auditor's comments on the honouring of a contract with a former senior official re-

mains unchanged from that recorded in the Provincial Auditor's 1987-88 report. The board of governors acted in good faith and in the best interests of the institution, and the settlement was not unusually generous in the circumstances.

I would like to extend to the public accounts committee the university's full co-operation in pursuing any areas of interest either today or in the future. Our books are open, and you are most welcome to visit Trent and to observe the educational and research programs in which we take pride.

This concludes my introductory remarks. My colleagues and I would be happy to answer any questions the members of the committee may wish to pose.

**The Chair:** Thank you very much. Do either of your colleagues wish to add anything? Then we can get into questioning. All right. The first person on my list is Ms Poole, who is an alumna of your college, by the way.

**Ms Poole:** The Chair just destroyed my image.

**The Chair:** If you have anything on her, now is the time to produce it.

**Mr Cousens:** She probably would not qualify to get in today with the standards.

**Mrs Fawcett:** Did you get up on the wrong side of the bed or something?

**Mr Cousens:** I take it back.

**Ms Poole:** Let the record show that Mr Cousens was smiling as he made those comments.

Well, Mr Chair, you have just destroyed any image of impartiality I have with my questioning, but nevertheless, despite my affection for Trent, I shall try to be fair-minded about my questions.

First of all, on the first page you made the comment that you deliver "high-quality education, research and service efficiently and effectively," and more specifically, that your "government-grant revenue per student is among the lowest in Ontario," as are your faculty salaries. As far as the grant revenue per student being the lowest is concerned, is that primarily because Trent is dealing with undergraduate students and you do not have the high expenses attributed to doctoral programs, or is it simply because your faculty salaries are lower and you practise other cost economies?

**Mr Stephenson:** This end of the table has been practically nodding, but perhaps I could ask Dr Earnshaw or Dr Stubbs to answer that.

**Dr Earnshaw:** The question is based on revenue first, not on expense, so let's limit it to revenue in the first instance. The revenue per student at Trent is among the lowest in the province because arts students, who predominate in our program, are very lowly weighted in the distribution formula relative to PhD students, so on the revenue side we have the low grant per student. The issue of how we spend it is not related to the revenue. We can spend it as we wish. We have chosen, as our reports said, to spend the highest proportion of the revenue we have, limited as it is, on instructional programs. That is an institutional priority.

**Ms Poole:** Since its inception, Trent has had a very different philosophy from many universities in that it has



stressed the smaller unit for teaching and put the emphasis on quality as opposed to quantity. I am not saying this to be critical of other universities. I am saying that you have had it as a specific mandate to keep your tutorials, seminars and instructional classes very small.

Could you please elaborate on, from its inception, how the ministry and how the government has treated grants differentially from other universities in its granting procedures. The ministry has already said to us that there is a specific grant that is given to Trent that is given to no other university in Ontario and I would like you to tell us what type of grants are available to you.

**Dr Stubbs:** The university is the recipient of what is called a differentiation grant which acknowledges that Trent is unique in the Ontario system with its almost exclusive focus on undergraduate teaching. The reason we receive a differentiation grant is that, as Dr Earnshaw indicated, our revenue per student is at the low end and we still face all the operational and reporting requirements of any university in the system, so consequently we are somewhat hamstrung by simply the base grant and the targeted funding that we would receive.

This whole question of the differentiation grant has been examined at great length twice by the Ontario Council on University Affairs, which plays a very important role in the system as the buffer body between government and the universities, and OCUA instituted the differentiation grant in the early 1980s in recognition of costs that were associated with smallness and with our particular focus on undergraduate education.

The entire differentiation grant was reviewed in great detail in 1987-88 and was reconfirmed as being appropriate for the university and was in fact pegged to inflation, which it had not been in the past. There was recognition that we had costs we could not support out of the income received from general grants and from the differentiation grant, and consequently it has been pegged to inflation.

It is also, I think, important to say that physically the university is designed for smaller group teaching. That was the mandate and purpose of the university when it was set up in the early 1960s within the Ontario system, as you have heard already. Each of the universities is rather different and Trent's particular focus was to be on undergraduate education and in this particularly intensive way that we teach. It is also important to note that our faculty has carried teaching loads that are heavier on average than those in the rest of the province, approximately 30% heavier across the board because of the way we teach.

1030

**Ms Poole:** Just one further line of questioning which has to do with the auditor's conclusions concerning enrolment and the fact that the auditor had calculated that since 1982 Trent had received approximately \$11 million which might otherwise have been granted to other universities: First of all, I should perhaps clarify for you that the auditor had dealt with the ministry on this and the conclusion was that the \$11-million estimate would have actually gone back to 1968, not 1982. It appeared that the ministry had approved it from 1968 and it was just the 1982 lack of

approval which was then in question. So I believe the final conclusion was that the period of overpayment was from 1982 to 1987-88 and that it would be in the amount of \$1.3 million.

Could you please comment on the criteria in 1968, which you received approval for from the ministry, and how it differentiated from the criteria used by other universities and the rationale behind it?

**Dr Earnshaw:** The criteria that were approved for Trent and other universities in 1968 that did not have segregated, streamed programs of honours BAs and general BAs permitted the universities to use higher grade achievements of students to be a proxy for an honours student.

In the 1960s and later in the 1970s, Trent had a grading scheme approved using coarse grades, letter grades—A, B, C, D—grade point average, a very coarse grading system, and in 1982 through our senate we moved along with the trend of the times towards a more refined grading system using numerical grades. The conversion from the equivalent letter grade to the numerical grade system took place in 1982.

**Ms Poole:** At the time of the change in 1982 to the numerical system, did the mark that was deemed to be appropriate to be counted as an honours student actually change?

**Dr Earnshaw:** No. It is equivalent.

**Ms Poole:** So it was an equivalent.

**Dr Earnshaw:** The answer is that we used an equivalent grade numerical system to what was in the coarse system prior.

**Ms Poole:** I believe the information that was suggested to our committee was that the grade standards had indeed lowered, but that is in fact not true; it was just that a numerical equivalent was given.

**Dr Earnshaw:** We moved from a coarse grading system to a refined grading system, and when you do that you try to make them as equivalent as possible. Our senate at the time did review that conversion. It is fair to say some students who previously would have counted would not count in the new system, and conversely, there were students who would have not counted in the previous system who became eligible.

It is a fine question and it is a question of judgement as to whether it was lowering or highering standards. We did move to standards, though, which were the same as in practice at other Ontario universities. We were not inventing a new system in 1982, we were using an existing system that was elsewhere.

**Ms Poole:** What other universities other than Trent are in the situation where they do not actually have differentiated honours programs, so that they need an alternative method of weighting. If you are not aware of it, there is no problem, we can ask the ministry.

**Dr Earnshaw:** I think there are about nine, I believe. Over half but not all that I could think—you would have to ask the question of the ministry.



**Ms Poole:** So they would be indeed under the same system as Trent, so you are differentiated in one way, but there are others in your situation?

**Dr Earnshaw:** I cannot speak for other universities up here. I think the ministry would have to answer that.

**Ms Poole:** Okay. I believe we are having them on Thursday, so thank you very much.

**Dr Earnshaw:** I cannot say our system, though, was modelled after one other university, so that—

**Ms Poole:** I just wondered if Trent was unique in having applied these particular criteria and this system or whether there were others in your situation, but we can confirm that with the ministry.

**The Chair:** Before I call on Mrs. Cunningham, I would just like to clarify something. Did that change have any bearing on the qualifications for entry into Trent?

**Dr Stubbs:** No.

**The Chair:** My concern, and I expressed it to the deputy minister, was with your small teaching classes. It is an ideal setting for young people who may have a need for greater supervision and might be denied access to other universities for that very reason. That did not happen?

**Dr Stubbs:** No, but perhaps I could elaborate because this may be relevant here. The university is one of the few universities that conducts interview programs for applicants. This past year we interviewed 2,600 students individually, so our admission decision is not made simply on the grades that are submitted to the university by the school, but also on an examination of this record.

In the last cycle of admission we offered admission to some 200 students who did not meet the admission requirement of Trent, which was 74 per cent this past year and about 60 of those students accepted admission. What limited tracking we have doing over the years, which is on an ad hoc basis, suggests that those students have done very well in our system because of our ability to offer some individual attention and our ability to recognize potential before they come to the university.

**The Chair:** I was thinking of places like Albert College which have a very small pupil-teacher ratio. They are ideal for kids who perhaps have some type of learning disability or what have you, may never make it to university, or St. Mary's University in Halifax.

**Dr Stubbs:** That is correct. Those students, as you know, are identified as special needs students and Trent, on a relative basis, has the highest percentage of special needs students in the Ontario system based on incomplete data.

**The Chair:** I am glad to hear that. I was a little concerned about the change in terms of how you—funding.

**Mr Stephenson:** If you could indulge me on a personal note, I am not sure I would have fallen under the category of special needs, but I was one of the students who went to Trent as a result of being admitted through an interview process, having been somewhat of an indifferent high school student.

**Mrs Cunningham:** Look at our Chair.

**Mr Stephenson:** I do not know if the president would now include me in his category of people he was tracking, but within four years I was admitted to Oxford University and then subsequently to the University of Toronto. So if I fooled Trent, I continued my fooling ways with those universities as well. I attribute my turnaround very much to the small group teaching and personal approach of Trent; not to say that it is appropriate for all students, but for people such as myself it was a godsend.

**The Chair:** I can share with that. I fooled the University of Toronto. In Osgoode Hall, I really fooled them.

**Mrs Cunningham:** Mr Stephenson, Dr Stubbs and Dr Earnshaw, it is a pleasure to have you here this morning. I am Dianne Cunningham from London North, so the centre of my constituency is the University of Western Ontario. I would say that in spite of some of the issues around university audits—of course, it is a first for Ontario to do such a thing. We were told that the auditors were not always received with open arms. You look at that with some degree of, not surprise but interest, and I think it has been at least—the University of Guelph enlightened us significantly yesterday.

We were very much looking forward to yourselves and, later on today, the University of Toronto. I think that given the presentation before the finance committee by Dr Prichard on behalf of the Council of Ontario Universities last week, and I would say you should be very proud to have the representation, it is with some degree of, what should I say, interest that we sit here listening one week to the tremendous challenges of the universities in these times, and at the same time looking at some of the conclusions of the auditor around what, from my point of view anyway, is just improving the accountability or responding to the accountability of the systems that are publicly funded.

I was interested in your comments, Mr Stephenson, on page 3. It is not new to this committee that we are reminded that in fact you welcomed the inspection of the appropriate areas of your books. The question right now for us is along the lines of accountability and in fact the auditors mentioned to us three things and I would like you just to respond if you can—more response than a question.

1040

We are troubled in this committee. Basically we have been challenged as to our rights to even have this access to information, but you can comment on that. We are wondering, when we find problems here in this committee of the Legislative Assembly, no one seems to want to take the responsibility for it, with respect to universities. The administration and the government say, "We can only go so far in checking up on how the money is spent." The universities tell us, "You can only look at certain things."

It is our responsibility in representing the public to make sure that we are efficient and that the students are served first, and I would like you to help us because we need this kind of information. We hope that this audit has been helpful. So if you could respond to that concern around jurisdiction or accountability or legislative, I would appreciate it.



**Mr Stephenson:** With your permission perhaps I will ask Dr. Stubbs, actually, to respond to the question.

**Dr Stubbs:** The question of accountability is at the heart of this set of hearings and I recognized that from the beginning. Let me begin by saying something about the role of the Provincial Auditor and the visit of the auditor to Trent.

I think that our reply in 1988 which you have before you—from Jean de Pencier—indicates that the university was accepting in very clear terms a number of the recommendations, a number of the issues that the Provincial Auditor raised. We have taken steps to respond to those concerns, so there is on the part of this institution a recognition that the auditor played an important role. The board would acknowledge that in its discussions. Certainly the auditor made the university feel uncomfortable and I do not think we should duck that issue at all.

But we have made a considerable number of changes in response to that and I think it is important to say that the system was not blind to the process that was going on, and that the other universities in the Ontario system have studied with great care the individual experiences of each of the universities with the Provincial Auditor and have taken steps, I am sure, in many of the areas that he identified as needing attention, so there has been both at our level and at the system level considerable response to the issues that the auditor has raised, and I think our systems are better and I think they are more effective.

I should also say, though—I say it and we have said it in the brief—that responding to some of those issues has been a very expensive activity for us and those funds have been expended, but they have been expended when we also feel quite strongly—our academic senate feels very strongly—that such funds should be delivered on the other side of the house, not on the administrative side of the house. But we have responded. We are much more efficient. Particularly in enrolment reporting we have a system that seems to be virtually error-free at the moment.

The broader issue of accountability and the broader issue of how you as a committee and how, through you, the Legislature and ultimately the people of the province can be assured of accountability is a major issue. I would suggest that there are a number of ways in which we have tried to respond. I do not think they are fully acceptable to the broad public, but certainly it is worth reiterating that the board of governors is representative of our own community, of the broader community, that it operates in a very open fashion, that in a smaller community such as Peterborough we are in the newspaper regularly. Our board meetings are normally reported in the local media and on television. Certainly in my experience, moving to a small community I had no idea that I would find myself in the paper two or three times a week as page 3 main news. That is a fact of life in a smaller community that I had not experienced.

Our senate is equally open and certainly acts as a ginger group in making sure that the board is well aware of its particular concerns. The accountability we have to the Ministry of Colleges and Universities is very extensive, as this committee has heard. There are enormous reporting

requirements. There is more and more money that is coming to us on a tied basis that we have to account for under separate audits and we have worked very openly and very co-operatively with the ministry in developing and responding to its concerns about accountability.

There is another agency which I do not think has figured largely, from what I understand in your discussions, and that is the Ontario Council on University Affairs. I have some familiarity with the council because I was asked by the Minister of Colleges and Universities to undertake a sunset review of that agency, which I did, in 1988, and recommended that it continue in its role, recommended a number of proposals, all of which have been accepted by the council, all of which I think address in various ways the matter of accountability and which speak to a number of the issues that you are concerned with. The recommendations that come from OCUA to the ministry are very, very detailed about accountability, and the ministry, by and large, accepts those recommendations.

We are particularly cognizant of the fact that the ministry does not accept council's recommendations on funding and has not done so since 1977-78, but on most other issues it has done so, and I think there is a great measure of accountability in that particular structure. It is not a well-known organization but it plays a very important role. So I think there are within our structures a number of ways of ensuring accountability, of broadening accountability, and I have no doubt that there are more coming. I would say that in particular in the case of the auditor, to return to that, the issues that were raised are germane and central to your concerns and have been addressed. I think I will stop at that point.

**Mrs Cunningham:** As we have the opportunity to question, we are getting into more detail. One of the concerns of the auditor was, why would it have taken an audit to expose some of the concerns which happen to be the same categories from university to university? Why is this not just happening from the university's own external auditor, who would perhaps not have the mandate to take a look at your own policies and make certain that they are being implemented, or should it therefore be monitored more closely by the ministry?

In responding, if you could keep in mind that one of my great concerns is that I cannot stand all the bureaucracy and paperwork. I would rather have people teaching kids, so if you could keep that in mind when you are responding, I would like you to address that as well.

**Dr Stubbs:** I think I would ask Dr Earnshaw to respond because I think you are particularly talking about financial accounting and that is his area.

**Dr Earnshaw:** I will separate my answer into two aspects. One is enrolment counting where the impetus for those processes in fact is driven by the ministry. We are abiding by the regulations that have been set by them and our processes are, we believe, fully in compliance with those.

In the case of other matters, such as the tighter control of assets, universities have for years discussed that point among themselves and are very aware of the risk exposure



that we have put upon ourselves, and also aware of the costs that would be involved and the bureaucracies that would be involved to control that risk. And it is basically a risk analysis that we have taken and collectively discussed for many years. In fact, it has been discussed throughout Canada and throughout North America very extensively, as the cost of covering all risks in an institution when your primary goal is educational, is teaching kids, as you put it. So the issues have certainly been discussed.

The auditor brought new light to it from outside. Outsiders do that in the same way that we get outside opinions when we have our own internal audits and our own external assessments of our administrative programs. And when those happen, we put things right. So I think there has been a history of putting things right when reviews take place and when discussions take place, but there has also been a history of discussing things and deciding that it is not worth doing what other people might decide should be done.

1050

**Mrs Cunningham:** This is a short one, Mr Chairman. One of the great concerns I have is, would you, if you were asked, and I am asking you—the monitoring that is going on now, this enrolment thing seems to be the biggest. By the way, it is happening in school boards too around attendance and part-time students and how you count them all and the whole bit. That is what has been I think fairly useful, at least for the ministry and for us. Would you prefer more extensive monitoring and reporting, or do you think it is a good idea to have these spot audits from time to time? How would you prefer that be handled?

**Dr Earnshaw:** My personal preference would be the second of those. The bureaucracy needed to do it totally would just add more staff that would be just spinning wheels in order to produce slightly more accurate numbers, and the benefits achieved from that for the province and for the institutions would be, in my opinion, negative. We take resources out of the classroom.

**Mrs Cunningham:** You understand I will be quoting you from time to time, don't you?

**Dr Earnshaw:** Yes. We are taking resources out of the classroom to do that.

**Mrs Cunningham:** Thank you.

**The Chair:** Okay. Just by way of clarification on that, the people who came here yesterday from the University of Guelph told us that their loss was approximately \$35,000 per year and to put in place a process to avoid that would cost in the neighbourhood of \$100,000, so therefore it was not economically feasible. Have you thought about whether those figures are what you would suggest, or is the loss perhaps less because your university is smaller?

**Dr Earnshaw:** We have in place an inventory system, so we know what we are losing. Our financial statements do in fact reflect now even more effectively than they did when the audit was taking place, an inventory of our systems, and for management purposes as well as for control purposes, we are pleased with the system we have in place.

**The Chair:** Obviously, Guelph has one in place too and it is losing \$35,000 per year in assets. Was that net or after insurance? Net after insurance, I am advised. They figure that to tighten this up even more so would cost them in the neighbourhood of \$100,000, I think was their estimate, and upwards. They felt it was not appropriate.

**Ms Poole:** As clarification, I do not believe that the University of Guelph has a comprehensive asset management system. They do not have an inventory. It is just on an ad hoc basis of it. They estimated \$100,000 per annum it would cost to set up this inventory system and computerize it and to be efficient about it and they estimated it would cost only \$35,000 per year in losses, although I asked them how they knew this if they did not know what their assets were. They did not know what their total assets were, so I think the Chair's question is, how do your costs compare?

**Dr Earnshaw:** It is very difficult for an arts and sciences institution like Trent to compare ourselves with Guelph, with all its farms and other things we do not have any part of. It is a much more research-intensive place than we are. Our controls are basically in place and our management needs are there to make sure we know which assets we have and we can keep track of them and write down when they are depreciated, when they are broken, when they disappear. We are not finding things disappearing.

**The Chair:** So when you recently did your report, what did you find?

**Dr Earnshaw:** We audit every year. We do a random sample with our external auditor and we do an annual check with all departments where they have to tick off on the list if they still have the equipment that they told us they had last year. We do both of those and we are not missing anything.

**The Chair:** Guelph seemed to lose a lot of fire extinguishers. I guess they are still being hoisted even now.

**Ms Haack:** I am the other Trentie, so let's sort of get our—

**The Chair:** Trekkie or Trentie?

**Ms Haack:** Trentie. We have occasionally watched Star Trek, but these days I have no idea where Dr Spock is. I am also a librarian in my other life and I am somewhat interested in what you had to say about the computerized library system. Could you update me on where you are in that process?

**Dr Stubbs:** Yes, I would be happy to reply. The university is the last university in the Ontario system to move to a computerized or automated library system. We have just completed the first two or three phases of that at a cost of nearly \$2 million. We now have an ability to track all the items in the library through this particular system.

**Ms Haack:** This is including, to use the professional jargon, retrospective conversion.

**Dr Stubbs:** Yes. That is correct.

**The Chair:** What is that? Maybe you can explain that to us.



**Ms Haeck:** Retrospective conversion means you usually—

**The Chair:** Is that St Paul on the road to Damascus?

**Ms Haeck:** Sometimes probably the librarians feel that way. You start your system, say, in 1980, but you in fact had acquisitions since 1964. So you have this bulk of books that have to be put into the computer basically. So you had how many years' worth of books to put into your computer, but U of T has 100 years to worry about.

**Dr Stubbs:** We had 27 years to enter into the system—we used the Utlas system—and we completed it, I am advised by our librarian, more quickly than any comparable library in Ontario. The whole conversion project took less than two years.

**Ms Haeck:** I understand that you have undertaken cursory audits or inventories of the system at different times. Have you got a handle on what you have lost in the intervening years?

**Dr Stubbs:** Not yet, but we will have such information, we believe, at some point in the summer. As you well know, we are adding modules to the system as we develop it, but we are now capable of undertaking that activity. To be very blunt, we do not have the human resources to invest in it until the library slows down a little bit in the spring, but certainly one of the activities that is undertaken is to get a much stronger understanding of the state of our inventory.

**Ms Haeck:** I have another question and it is one that I asked the alumni committee when it hit me up for funds a few years ago. It relates to, shall we say, a rather interesting—contract leaving. Golden parachute, I believe, is the current term for that situation. I am somewhat concerned that when contracts are entered into for positions like yours—but I am not suggesting that you have the same contract. First of all, the auditor pointed out that there were really no minutes around the discussions of those contracts. The executive of the board seemed relatively uninformed about what had happened. The final deal of the golden parachute was one that obviously had an impact on the services that the university was able to offer. Have the processes to undertake such contract discussions been firmed up somewhat so that people are appropriately informed and they do not see a million dollars being dispensed to someone to say, "Thank you. Really, it's been fun"?

**Dr Stubbs:** I would let Robert Stephenson comment from the perspective of the board.

**Mr Stephenson:** I am an appropriate person to comment to because I have been kicking around the board since 1979, and it will be 12 years a week or so from now when I first joined the board, so I have either been an observer or a participant in many of the events to which you are referring. I think it is appropriate perhaps for this committee if you will allow me to give you a little bit of the background of what went on because I think there has been some misunderstanding about the events that surrounded the circumstances to which you are referring. I think it is also appropriate that we use this occasion for me

to try and put that right, because I am concerned that people are, either through misunderstanding or otherwise, putting their own interpretation on those events—and usually it is to the detriment of the individuals involved, whether it is the executive committee or the individual. And it is Dr Theall, the ex-president of the university. I think we all know he is the individual involved.

In order to understand what happened, the first thing we have to remember is that Dr Theall came to the university in 1980, at a time when the university was undergoing severe financial pressure. I referred to it in my remarks earlier this morning, that the deficit had accumulated. When Dr Theall joined us, we were on the way to a deficit that ended up at about \$1.5 million, which, given the size of the university, the same points we made earlier about our uniqueness, the small aspect of the university, and if you can imagine \$1.5 million in that context, it was one that was extraordinarily concerning to us and extraordinary steps had to be taken.

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Dr Theall was asked by the board to reduce the deficit, to bring it back to a balanced budget. He did, at tremendous cost to his own reputation. I should stress his reputation within the university community because the cost-reduction steps caused a great deal of strife. In 1983, the board undertook a presidential review as to whether or not his contract ought to be renewed at the end of 1984. I myself was a member of that review committee and I can say that although almost every person who came before us stressed how important it was to renew Dr Theall's contract, a good number of them expressed concerns about whether or not it would be appropriate to renew his contract for a full five-year term. But the important point in my mind was that it was universally, almost, recognized that it was critical for the university to renew Dr Theall's contract.

That committee made its report to the board, and the board in 1983 received it and voted at that time to enter into negotiations with Dr Theall through the executive committee. The executive committee did that and it operated in the process of negotiation with the chairman of the board, the chairman of the executive committee and the vice-chairman of the board, as it was then constituted. Those negotiations were carried on and by the beginning of 1985, and there was some time period involved here and you have to appreciate that a number of factors intervened, including a very serious heart operation for Dr Theall. By the beginning of 1985 there was no signed contract in place, and the Provincial Auditor has made that point. But I think it is also appropriate to say that a number of us felt that there was a contract in place none the less, and I presume Dr Theall did, because from 1 January 1985 he began to function still as Trent's president and I can only assume that he felt some comfort that he had, if not the signatures on paper, the assurance of a contract.

Well, the tensions to which I referred earlier that had begun to percolate their way to the surface in the review process began to boil, particularly in early 1985. The executive committee of the board came under extraordinary pressure from the faculty of the university to the effect that



it had lost confidence in Dr Theall. The executive committee anguished over many meetings, many discussions about the situation and whether or not it was prepared to continue to support Dr Theall. It was. Its decisions were to support Dr Theall.

As 1985 began to come along, and the Provincial Auditor has pointed out that there was a very narrow time period here, and it was a narrow time period when the executive committee came under this increasing pressure which culminated, to some extent, in the early summer of 1985, when in an unprecedented way, each of the department chairmen of the university save, I believe I am correct, two who served as Dr Theall's academic colleagues at OCUA, requested a meeting with the executive committee to voice their concerns. Dr Theall, in my view, behaved in an exemplary way throughout and, in my view, so did the executive committee. Both, in their own ways, were faced with an extraordinary situation that was developing at an ever-increasing rate. We were proceeding on the basis of having a commitment, a contract with Dr Theall for a five-year term which had been negotiated in good faith.

During this time period it became increasingly obvious that in order to remedy the situation, something had to be done. Dr Theall and the executive committee mutually reached an agreement that one solution would be, with protection for his economic situation, to have his retirement as president occur at an earlier period than it would have under the existing agreement. It tied in to the points that had been made to us some two, two and a half years earlier during the review process, and that was done.

Now, I know there are a number of people who would prefer to view what had happened as either a unilateral firing by the board, which it was not, or a unilateral resignation by Dr Theall, which it was not. Both parties behaved in this situation, I think, with the utmost discretion and the utmost responsibility in acting, as I have said in the opening remarks, in the best interests of the university. The awkwardness, I know, when you apply what I may refer to as a spreadsheet analysis to a situation such as this, is that it is very easy to add up the numbers. I would like Dr Earnshaw, after I conclude these remarks, to comment on the numbers involved themselves.

What we cannot add up is a human cost that is involved. The toll was tremendous on the university. What did we gain from the actions that were taken? Well, we gained a university that over the last number of years has, I think, been remarkably vigorous. There are to be sure, God help us all, a good number of problems still facing the university. It certainly is not as though the faculty and the board are seeing eye to eye on items—that certainly is not the case—but we are not facing the tremendous tensions, the tremendous disruption that was happening in the university.

We have been able to get on with business. We have been able to get on with a fund-raising drive which has been remarkably successful, thanks in good part to the alumni of the university. We have been able to get on with facing the other problems that face the university. The benefits we gained from the actions that we took, collectively, mutually, were tremendous. I regret the whole situation. I

do not regret and I do not back away from the actions that we took.

**Ms Haeck:** Before Dr Earnshaw comments, it is a fact, it has happened and I think you have explained it very well, but my major concern is for the committees of the board who obviously are out on the selection committee and who are part of the negotiating process with whoever would be a future candidate for that kind of a position, that there are adequate records, that everyone appears to be informed, that if there is ever some kind of a review, you do not end up with this kind of a cloud.

I think you understand as well as I understand that the perception of having done all of this has probably weighed much more than the explanation itself. Those safety valves of having things documented and having everyone who is responsible being a stakeholder are really essential to yourselves, and obviously to be able to say to the community at large, "Hey, look, we've protected our interests and your interests and here's the written document to prove it."

**Mr Stephenson:** Yes, I could not agree more. The bona fides and the good faith of individuals, that they can put their hand on their heart—it is awfully nice if you can—and say, "Here's a piece of paper that evidences the particular steps that were taken." So you are absolutely right, that that has been recognized and steps have been taken.

The compensation subcommittee to which I referred earlier has been enshrined in the university's constitution. Steps have been taken in the university secretariat to better deal with the documentation of the decision-making that goes on, so that we do not find in the future that we are facing the same difficulty of explaining what in fact occurred. People can sit down—it may still be confidential, but if appropriate—and be able to read the paper trail that is required so that they can arrive at the same conclusion that we think they ought to arrive at.

Perhaps I could ask Dr Earnshaw to comment on the numbers because I want to confine my remarks to the perception and to the atmosphere. I think the numbers themselves deserve some comment, though perhaps not quite at the same length that I took.

1110

**The Chair:** I wonder if we could reserve that because I have a feeling there is going to be another question on that issue and maybe that could be answered at that time.

**Mr Daigeler:** I have, first, two specific questions and then a more general one. In your presentation you referred to the 18 representatives of the public at large on your board. Do you have any government appointees? Second, how are these public-at-large members chosen?

**Mr Stephenson:** There is a board committee which is a nominating committee, which meets regularly throughout the year, and its members are charged with the responsibility of listening, encouraging others to make recommendations to it through a host of avenues, to develop a working list of names of individuals who might be appropriate to serve on the board from time to time, bearing in mind a fluid conception as to what constituencies ought to be represented and that there be no particular



magic to any particular list. You can imagine who they might be.

To some extent we are constrained just by sheer geography. We clearly want to draw heavily from the local Peterborough community. We also need to draw heavily from Toronto and from Ottawa. We have drawn from Montreal and other areas as well over the course of years. The members who are chosen then are put forward to the board for consideration, usually a month in advance so that there is some chance for discussion.

There are no government appointees as such. Having said that, I am not sure what conclusion you ought to draw from it. I know what conclusion I draw. It is that once appointed, anybody is a member of the board who owes his or her responsibility to the university and to the constituencies to which I referred earlier. No one on the board, whether student representatives—I use that term loosely—or the alumni or the faculty or others, can consider themselves as being narrowly confined in their views to promoting the interests of any one particular group. All of these individuals, once on the board and appointed, share the overall aggregate responsibility.

**The Chair:** That is provided in your statute, that there is no requirement for Lieutenant-Governor-in-Council appointments. They are all done under your bylaws.

**Mr Stephenson:** Quite right.

**The Chair:** Maybe Mr Daigeler and the others would be interested if a copy of those were available and they are not of too great a volume. You might want to see them. That may save you further explanation and Mr Daigeler could ask his next question.

**Mr Hope:** I would like a supplementary on that, if you do not mind.

**The Chair:** Okay, you are coming up on the agenda. Supplementaries I find normally stray off into questions, so maybe you would like to go on to your second question, Mr Daigeler. I do not want to cut you off but it is really a technical thing.

**Mr Daigeler:** You may sense where we are coming from here. I mean it is somewhat familiar. I could kind of guess how the process is working. But I am not entirely confident that the public is that assured about the impartiality of that process, not just for your university but I think for the whole governance of the universities in general. You made and I think the president and other universities made the point that we have these governing councils and they have a tremendous responsibility to protect the public interest. But I am not sure whether the selection process gives the public that much confidence. You sense where I am coming from.

The other specific question that I have is, you make reference on page 3 of your document at the top to the fact that you voluntarily “engage external consultants to assess the efficiency and effectiveness of each of our administrative departments on a rotating basis.” Could you explain a little bit more how that works and give some examples perhaps?

**Mr Stephenson:** I would like to ask the president to respond to each of those, the first because of the extent to

which I, as a member of the board, can be viewed in any way as protective or biased towards its operation—the president is the one who reports to us and he may view us in a different light—the second because of the president’s particular involvement. I would like him to respond to that as well.

**Dr Stubbs:** The question of the composition of university boards has been raised and is under current discussion by the Minister of Colleges and Universities. I have seen public reference to those particular concerns. Certainly this university has no difficulty at all if there is a desire to amend the acts so that there can be appointments by the Lieutenant Governor to our board. We simply are operating under the structure that was passed through the Legislature in 1963, so there is in principle no difficulty with that.

I believe our board is very representative of the broader community. Our board is, if I can say so, not heavily representative of big business, in the sense that sometimes is caricatured. It is, I think, a broadly representative board of the community. It has a considerable number of alumni members on the board who are there not by virtue of being alumni but simply as representatives within the communities that they are members of. We have had a consistent representation of labour. We have had native Canadians on our board. We are working towards equity in terms of gender.

**The Chair:** It sounds like you are doing fine without the Lieutenant-Governor-in-Council appointments, thank you.

**Dr Stubbs:** Yes. If I could turn to the other issue, which is the question of the activities that we take vis-à-vis our administrative units, I should say very clearly, from the beginning, that I believe profoundly in the process of performance review. When I became president of the university, I requested that the board institute such a process for me and there is an annual performance review of the president. I in turn review the people who report to me, they in turn review and so on all the way down the line, and that is very appropriate, because we are in the process of reviewing students. After all, that is what a university is about.

We are regularly involved in a process of reviewing and challenging and testing students to see that they have accomplished certain things. There is a complete process of accountability in that sense. In the administrative sense, it seemed to me, when I became president, that the university would find it beneficial to bring in outside consultants on occasion to examine the administrative activities. So we have a rotational system of four administrative units per year being examined by outside consultants.

**Mr Daigeler:** Management consultants.

**Dr Stubbs:** No, they are not necessarily management consultants. For example, the library was examined by the head librarian of another major university library. At the moment, the audio-visual area has just been reviewed, again by the director of a major audio-visual facility in another university.

The director of communications is about to be reviewed this year. The finance office will be reviewed. Each



of these areas is in a rotation and all of them will be reviewed on the basis of this cycle, about every four or five years. All of our academic departments are reviewed on a cycle that is about six years or seven years, all by external people. These reports are extremely valuable to me and particularly to the vice-presidents who are responsible for those particular areas, and most of the recommendations have been implemented.

**Mr Daigeler:** I find that actually very interesting, the first time I have heard of this kind of a process being in place. Perhaps this goes some way towards an answer to the final question that I have, which reflects, I think, the basic concern that the Provincial Auditor has.

As I am sure you know, the auditor is very concerned about what he considers a very limited scope of audit possibilities that were available to him. He really feels the universities were trying to restrict that area which he could look into very, very tightly. He feels that, rather than staying within the scope of the present audit possibilities, he should be given a broader mandate to look into what you can loosely describe as value-for-money questions and to again increase the public accountability of the university sector. What would be your general comment with regard to that kind of a mandate for the Provincial Auditor?

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**Dr Stubbs:** I am quite sure that there are some areas in which that process would be helpful. On the other hand, I do not take the view that the matters that the auditor is looking at at the present time or has looked at are particularly narrow. It was certainly not my sense of the questions that were asked of the areas that were examined that they were very narrowly defined. It seemed to me that they spilled over into a variety of areas and certainly led to a number of comments that I can only construe as commenting very directly on our efficiency as managers.

This is no more evident than in the case of enrolment recording. The result of the auditor's report has produced a fundamental revolution in our registrar's office where all these transactions are recorded. As I say, we went to a very expensive automated system so that we can be better assured of the quality of management in that area. I feel that the kind of activity that we are undertaking, the kind of reviews that we do internally, the kind of interuniversity comparison that is inevitable and goes on all the time at the level of Vice-President Earnshaw and others, allows us considerable scope for discovering what we are doing well and what we are not doing well.

We are incredibly interested in economies because we desperately need the resource that we can find to address the teaching and research and service needs in the university. At the moment, if pushed very hard, I would say I am not supportive of that, but I am not against, as I said earlier, I am not opposed to the auditor having to look at the areas that he looks at. As I said, his comments have had system-wide effect very, very quickly, and I think it varies.

**Mr Cousens:** The public has a tremendous sense of outrage when they learn of a golden parachute that was as rich as the one that was raised earlier and has been highlighted by the auditor. I think it raises a number of ques-

tions that have to do with the goings-on within a university or any public institution which are not publicly known until after the fact. I have to say, that in spite of the excellent review of the situations described by Mr Stephenson, it shows a tremendous amount of humanity and concerns. It is quite something when you get the faculty and heads of departments coming in and making those statements. We went through a very tough time.

Having said that in one side of the ledger, I am dealing with the fact that we are talking about huge sums of money which a public institution has spent, and I want to go over the numbers and just be sure. Maybe the easiest way is—we have in the auditor's statement the numbers and, if they are correct, we do not need a lot more analysis. I am looking at the auditor's report on the inspection of Trent University, and there is \$60,000 during a six-month period, another \$250,000 for salary and benefits, another \$250,000 for salary and benefits, another \$50,000 for a mortgage obligation and another \$70,000 for his tenure and professional duties. That adds up to \$680,000. In today's dollars you can add another 10% or 15% with inflation, and it is close to \$800,000.

If a person retires with a package and you take 10% of that, he is going to live very well, especially if he had a few RRSPs and other pensions. The new NDP government just did it with David Silcox, another sweetheart deal. It is public now. But I think it is bad and the public does not like it. I have to ask three or four questions that come out of this one. First, when did it become public knowledge that this was the kind of dollars that went to the now expired president from this office? When did that become public knowledge?

**Mr Stephenson:** Perhaps if I can turn it to Dr Earnshaw. I better appreciate now the prophetic comments of the Chair earlier that this question would arise in a later question. If I can turn it to John Earnshaw.

**Dr Earnshaw:** It became public knowledge when the Provincial Auditor's report was released.

**Mr Cousens:** Well, I am furious. I think that is exactly why we need an auditor going into institutions to look at what is going on. Are the numbers close to what I have just described, \$680,000, \$700,000?

**Dr Earnshaw:** Let me explain the numbers. I met with the entire board of governors in closed session to review these numbers in great detail. The conclusion that was drawn by the board at that time was that the actual severance amount, out of these numbers, amounted to \$295,000. All of the other items listed by the auditor are ongoing items, that were part of services rendered in an employment contract for which the services were fully rendered and acknowledged. The actual settlement was \$295,000.

**Mr Cousens:** Would you break out your \$295,000, then? Let's hear what you say, because I would be most interested.

**Dr Earnshaw:** The \$295,000, I believe, is based on two years of non-work between—I have to go through the numbers with you here now. The leaves were part of a first contract, the first five years—I am trying to make up the



numbers as I go along; I do not have it in front of me. It is based on 2.4 years of service with benefits. That is where the \$295,000 comes from.

**Mr Cousens:** What did he get a year? What was his annual salary?

**Dr Earnshaw:** At the time of leaving it was \$117,000.

**Mr Cousens:** It was \$117,000. So you would be including—

**Dr Earnshaw:** I have just been provided with the numbers. The \$295,000 represents one year at \$115,000, the second year at \$117,000 and four months at \$21,000, adding up to \$254,000. The balance is related to benefits on top of the salary numbers. That is the answer. The university costs for benefits are not included in those numbers; \$117,000 does not include—

**Mr Cousens:** So that comes up to your number of \$295,000?

**Dr Earnshaw:** That is correct.

**Mr Cousens:** Where does the \$50,000 mortgage obligation come in, then?

**Dr Earnshaw:** That was not part of the parachute. It was in the contract of employment.

**Mr Cousens:** It is public through the auditor, and I have to say that is one of the reasons the Public Auditor has a committee such as us to exist. I wonder, are there any other situations close to this within Trent University? When I start raising the question on it—I am sorry if I am upset; I am. I have a sense of grief over public moneys—your explanation may well be right, because there are other costs, but my numbers, taken from the auditor's statement, are \$680,000, in those dollars, in those days, and you are saying it is close to \$300,000.

The public is not willing to accept that any more. I would like to know if the university has a policy and also whether the universities have a policy on how much can be paid out to break some of the contracts and agreements you have. One of the things you said in your confidential document, a confidential letter of 23 August 1988 to the auditor, was that there were no court costs. Maybe you could have saved the taxpayers a few dollars if there had been court costs or if there had been some other kind of guideline that forces people to live within some kind of meaningful package.

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My question comes back: Is there a guideline in the university that says, "Here is the maximum you can work in," so that it goes back to the board? The board can approve anything, as it now stands, because you are responsible for the moneys, but have you any internal controls that would prohibit this kind of thing from happening again? In spite of the humanity you talked about—I have on one side of me a conscience that says, "Do it right," but I am also saying "Do it fair."

**Mr Stephenson:** Perhaps if I can respond. Humanity was only part of it. I hope that we would never do anything in any institution without that being part of it, but that aside, part of the point I was earlier trying to make was that it was not simply being honourable and acting in a

humane way but assessing what the overall costs to the university could be in any particular set of circumstances. One never knows, because one never has the luxury of being able to step back and roll the tape again with a different set of circumstances.

Our view at the time, acting as an executive committee of the board to whom the authority had been delegated, was that this was in the best interests of the university. No one likes the dollar amounts. I mean, \$10 if wrongly spent is \$10 that ought not to have been spent. That is not, in my mind, at issue, because I do not think anybody in this room would take issue with you on that particular point. But what you do need to do when you are exercising judgement in a set of circumstances is decide what is in the best interests of the university. It may be that the dollars involved are such as to give you tremendous pause, but the members of the executive committee did apply their minds to it, we were legally represented at the time, so we had no basis for believing that it was an inappropriate arrangement to enter into. The whole situation was regrettable, but the arrangement to disengage was not inappropriate. That is not to say that we are not all concerned about the dollars themselves. That is in my mind treated as a given.

**Mr Cousens:** I want to go on record, Madam Chairman. In all fairness to the university and the tragic circumstances surrounding it, it has another element of tragedy. The cost for the golden parachute, as Ms Haeck described it, this golden handshake, is unacceptable to me. I would come back to the chairman and this committee that it is full reason for the auditor to have more scope to do more detailed audits in all universities, regardless of the way you interpret your act as incorporation, so that there can be a review of spending on certain things such as this. To me, you are dealing with public money and as one who is responsible for it, and in spite of these statements and where you are coming from, I see this as reason for a far more detailed review of the spending of public moneys in universities.

As for the other things you are doing, you are doing so many things well, your students are coming out well equipped to meet the world and I have seen you make marvellous strides from an educational point of view. You cannot do that without at the same time having a tremendous sense of fiscal responsibility, and I think we have a problem in the province of Ontario.

**Mr Stephenson:** If I may respond in part to that, we felt a tremendous sense of fiscal responsibility. We did before, we did during, we do after. If the Provincial Auditor had been at our elbows, advising us what the most appropriate judgement would be in the situation, well, then we would have had yet one more voice.

**Mr Cousens:** No, I would not want to see him that close to you ever. I think the ministry should be. They can come in and look after the fact. I do not want you to ever talk to those guys too long. But the university and the ministry and the government should have the control, and they come in and see that everybody did it right.



**Mrs Cunningham:** I will be brief. Just so you know, Mr Cousens gets angry frequently, and you are not alone on the other end. I sit beside him often.

I just wanted to make a comment. I think one of the questions in the minds of the public around some of our top executive positions within our education institutions, not just universities but colleges and school boards, is something that is frequently raised with us as we represent the public. I think it might be worthy of some discussion within your own group—you, Dr Stubbs, mentioned the advisory committee to the government—so that the universities at least for their own sakes can get together and discuss what is fair.

At the same time, I think it is in the interest of the educational institutions to advise us, as elected politicians, of what is appropriate. Most of us come here with no idea of what is appropriate, what the competitive marketplace is, what is happening to our universities in Ontario and Canada. You mentioned going to Oxford. It is a university I know quite well. We are just not competitive, and we are losing it. Maybe this one outburst will—with due respect, I will change my choice of words, because I have to deal with this person later on.

**Mr Cousens:** You sure do.

**Mrs Cunningham:** This strong questioning on behalf of my colleague, who probably expresses fairly the concerns of those of us who are elected, I think might lead to some other discussions which will help rather than hinder the progress of the universities and their competitiveness.

**The Acting Chair (Mrs Fawcett):** I do not think there is a question there, so—

**Mrs Cunningham:** I have to sort of put things in perspective. I am waiting for yours, Randy.

**The Acting Chair:** Mr Hope, at last. You have been waiting. You have been patient.

**Mr Hope:** I do not mind other people getting supplementaries.

Just one thing: What really scares me today is that for 13 years I have been through the labour movement, as a leader in the labour movement, and to hear our Mulroney government and its agenda as being proposed, with the free trade agreement and now with Mexico—I was going to stay non-partisan, I was not going to bring this up, but I see our Conservative government is trying to take away our competitiveness and divert it to lower-wage, underdeveloped areas of the United States and Mexico.

As I come from a labour movement, there is the public identity out there that tells me that people of low and middle incomes are denied access to university because of the tremendous cost, the ability to obtain grants versus obtaining loans. I look at who has to pay, and usually it is mom and pop who have to try to help get the people through the school system.

But on the other hand I want to look at this open market, the competitiveness. When I hear the Conservatives say “competitiveness,” it scares me. In order for us to be competitive, we have a marketplace out there that we have to establish, and the universities are going to develop the education which will be the future of Ontario to stay com-

petitive. But competitive does not mean recessions or concessions.

Is this Ontario government's accountability—whether it be financial or moral is the accountability I want to look at—to the people of Ontario, first, to keep the professionals you train and educate, with the expertise you have, in Ontario and develop our economy? I am looking at a way this new Ontario government can help the universities, working co-operatively. I hear the word “autonomy” quite a bit—I was one who came from a union that claimed its autonomy in the separation from the United States—and autonomy somewhat scares me. I understand your autonomy, but I also think that through this new government and your expertise we have a direction we have to move in, and number one is to stabilize.

I notice in your statement that you are working in a co-operative manner through the auditor's report with more responsibilities. How can we start to be accountable not only fiscally, with the moneys we put, but accountable to the general public to make sure that accessibility is the key thing for all levels of income?

I am glad you brought it up. He said it was not by the order in council. I did not think so, because when I heard you say the labour movement was part of the 18 representatives, I am sure they had a good voice, making sure there was a diverse part of the community out there dealing with all sectors of life and not just an élite sector.

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My main question to you is: What direction do you see us taking in order to achieve that so-called autonomy yet at the same time taking Mr Cousens's concerns into consideration, being accountable to the general public? And I do not think only fiscal; I think responsible for making sure we try to keep people here in Ontario to develop our marketplace and to make sure we are more competitive in the world market.

**Dr Stubbs:** I would be happy to try and answer that question. If you will forgive me, given the way you asked the question, I could talk a little about Trent as a local university in a very strong union community, because you raised that question. One thing Trent is extremely proud of is that every union in Peterborough supported the founding of the university financially. There is no such experience anywhere in Canada.

An illustration of a more current situation would be the fact that—despite the question Mr Cousens has raised and the issue we focused on, which was very widely discussed in the Peterborough community, I can assure you, because it was very widely covered in the media—we met, for example, with the unions at Canadian General Electric, the largest industrial employer in town, and had a long discussion of the issue. I think if you ask any of them, they would feel satisfied—not happy, but satisfied—with the procedures Robert Stephenson outlined. A manifestation of that might be that the union at GE has contributed \$131,000 towards our current fundraising campaign, and many other unions in town have also been involved, because Trent is a local university and it does create accessi-



bility for people in a community who did not have access to university in the past.

The second thing I would say about accessibility in the broader sense is that we work very closely with the community colleges and with the school system in our region, and we believe we have something of a model in the relationship we have struck with each of those sectors to facilitate co-operation and to ensure that we are maximizing the opportunities for people who are seeking access to our system.

I would argue, too, that our interview process speaks to the question of accessibility for those who do not necessarily have the marks. That in many cases may reflect an economic reality, which is that those students spend many hours, as a number of you will be well aware, at part-time jobs trying to earn the income they need to go university or to keep them in high school. We try to address those issues.

Trent, historically, has always been either at the top or second or third on the list of universities with the most students who receive OSAP, so we are not an elitist institution. We are an institution that attracts a very wide cross-section of the community. We have the highest percentage of female students of any university in Ontario. We are an accessible university, serving the community and the region and working very closely in co-operation with those agencies in the education sector that we should be working with.

I think we provide a very good education. I think we provide within our institution a sensitivity to a number of issues because we are small. That is important in the context of the questions you raised. Trent University was the first university in Canada to create a program in Canadian studies, the first university in Canada to create a program in native studies and a number of other areas that were unique and still are unique, or virtually unique, in the Canadian system. So we have tried to speak to a number of those issues. We are very proud of our philosophy and our sense of mission within the region and within the country.

It is also important to say within the broader issue of where Ontario is going that we have students from 65 countries at Trent. That is a very large number of countries to be represented in a small university which is primarily undergraduate. Most foreign students who come to our universities tend to come at the graduate level. We see many more students at the graduate level than the undergraduate level. We have a tremendous program called the Trent international program. I hope that within what we do we provide not only access, but a broad experience that is very directly relevant to many of the needs of this province and the country.

**The Chair:** We are going to have to move on, Mr Hope. I am sorry. We normally sit until 12 and unless I can get concurrence from the committee to sit beyond that—there are two more questioners, Mr Johnson and Mr Charlton—I guess you would like to yield to your colleagues.

**Mr Johnson:** The auditor and his audit of the universities plays a very valuable function in tightening up controls within the system of any particular university,

especially when they become aware of some of their shortcomings as they are identified by the auditor. So you suddenly come under a closer scrutiny, a public scrutiny, that is very important. Grants are made to the universities. They are public funds and part of our job is to ensure that these public funds are used in the best interest of the public. We have to be accountable, and so universities have to be accountable for those funds too.

He points out errors and omissions that the universities may or may not agree are errors or omissions and it becomes an interpretation, without a doubt. With regard to the enrolment reporting and the \$11 million that the auditor has identified as an amount of money that might have been granted to other universities, we know now, after the fact, and the auditor found out after the fact, that there was ministry approval after the fact.

**The Chair:** I do not think it was after the fact. I think he came and advised us yesterday that after discussion with the relevant people he—that is my understanding. Mr Charlton is shaking his head, but my recollection was—

**Mr Charlton:** The 1982 change was approved after the fact, so let's get on with the question.

**The Chair:** Maybe we should clarify that because I think it is germane to your question.

**Mr Charlton:** It has just been clarified by a nod from the university. Let's get on with the question.

**The Chair:** With respect, Mr Charlton, I think the auditor is the one who addressed us yesterday as to exactly what the position was. I think we should have that straight before we—

**Mr Charlton:** It was in the university's presentation this morning.

**The Chair:** I do not think it was retroactive, was it?. Was there a letter sent to the—

**Dr Stubbs:** Yes.

**The Chair:** All right. I guess Mr Charlton is right then. Go ahead, Mr Johnson.

**Mr Johnson:** Anyway, I will skip some of what I was about to say. I will get more to the point and the question will follow.

It suggests to me that one interpretation might be that it was not applied for because back in 1982 it may not have been granted. I do not know that in fact is true, but granted retroactively, it is certainly in the interest of the university and the ministry to do that, to grant it so that suddenly this \$11 million is allowed because they were granted, retroactively, approval for that amount of money.

I understand that universities want to maximize their funding. There is a need there; I am sure it is evident. The Ontario operating funds distribution manual is a very complex manual to have to go through, I have no doubt. I guess universities look through this thing and they pick and choose the best route to go to get the most funds available from the government. What I would like to know is, presently, does the university have approval for the criteria and is this something it has to apply for yearly?

**Dr Earnshaw:** Is the specific question, do we have full approval for current practices? We do not apply for it



unless there are revisions to current practices, so we apply for approvals of changes.

**Mr Johnson:** So you would not need to apply for any changes now because you have received that approval just recently.

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**Dr Earnshaw:** If we change our reporting technique for any reason whatsoever, we need to get approval for that change, but we do have an ongoing approval for the practices that we are now using.

**Mr Johnson:** Are those practices that you have been using since 1982?

**Dr Earnshaw:** That is correct. They have remained unchanged since then and they are still in practice today.

**Mr Johnson:** But you only received approval for that just recently.

**Dr Earnshaw:** Perhaps I could explain that by another way of characterizing it. First of all, the \$11 million has never been accepted by the university as the correct number, and that is the university's calculation.

**Mr Johnson:** That is why I spoke about errors and omissions not being agreed upon, basically.

**Dr Earnshaw:** No, but the calculation does not give an answer, if you use the formula that is used for distribution, that comes out to \$11 million. It would give an answer of \$1.3 million. The approval retroactively—

**Mr Johnson:** An auditor has a job and he has ways and means of coming to a conclusion. If he uses those, does the university not use those—as to his criterion for coming to this conclusion, does the university not use it?

**Dr Earnshaw:** No. Can I explain it to you a little bit?

**Mr Johnson:** Sure.

**Dr Earnshaw:** It is a little technical, so I will have to do it. We had approval in 1968 for a practice of counting. In 1982 we refined that practice. But because it is a refinement of practice, you could still use the original approval to do a calculation for everything but the refinement itself. In other words, you can convert a 68% to a C and you can go through all those calculations. Using the assumption that the 1968 approval is still in place today, because we have not really changed anything other than refined it, the calculation using the formula would have been \$1.3 million. The \$11 million comes from an assumption that you abandon all approvals by making a change, and we and the ministry have simply said that did not happen.

**Mr Johnson:** So there is a disagreement.

**Dr Earnshaw:** Yes. Now, on the other side, let me tell you, there was notification of the ministry in 1982. We were not doing anything under the table. There was nothing sleazy about it. It was done for academic reasons. Our senate had very good reasons to refine the grading scheme on behalf of our students. The ministry was duly informed in writing and acknowledged that information, but it is accepted by others that this was not an application for an approval. But nobody hid anything from anybody. There was nothing surprising, and therefore the retroactive approval was a confirmation that this notification should

have been a little more serious in 1982 than just a letter saying, "Here is our new grading scheme."

**Mr Johnson:** With regard to the auditor's way of coming to the formula he used to arrive at this \$11 million, Trent University is saying that the figure would actually be \$1.3 million if you had not changed that formula back in 1982. Is that right?

**Dr Earnshaw:** That is correct.

**Mr Charlton:** I will just deal with my main concern and a couple of the questions, but we are quickly running out of time. Mr Daigeler raised, and the auditor has raised with the government, this question of value-for-money auditing. My understanding of the University of Guelph's comments here yesterday was that it took a much stronger position against value-for-money auditing than what I read into the comments I have heard from you people here today.

They basically took the position that value-for-money auditing would likely and inevitably cross that line into the area of academic freedom, and I guess I can understand that concern. I certainly can understand the concern in the case of Trent University. For example, if the Provincial Auditor were to take the position that the university could substantially improve its value for money by doubling the size of your classes, that is a very direct comment on an academic decision the university has made about how it wants to operate and teach.

On the other hand, it would seem to me that if value-for-money auditing in some kind of an agreed system where the auditor's reports and comments might usefully help the financial performance of a university—for example, if the auditor could point out ways to improve tendering and bidding processes because of flaws in the current process that were costing excess dollars that were unnecessary, or something along those lines. I guess what I am trying to get from you is some comment about where you see value and comment about where you would see intrusion in terms of the question of this value for money.

**Dr Stubbs:** I would like to respond, and maybe I need to clarify what I said because I am clear in my own mind that I guess I lined up with Guelph, but with not as much vigour, because I suggested that many of the areas that were touched by the audit did speak to this issue, and the one, for example, that you raised is an illustration. The question of purchasing was examined in some considerable detail by the Provincial Auditor, and as a result of that we made some changes in our purchasing procedures. The position I took in my comment was that I was personally not opposed to—in a sense this is the wrong language—the auditor undertaking the kinds of audits that he had undertaken at our institution and other institutions, because I said we all learn collectively from that process.

I frankly do not—I am not an accountant—know fully what we mean by the term "value-for-money audit." I have read about it. I understand generally what we mean about it. I think there is a good deal to be learned from jurisdictions elsewhere that have attempted to deal with this question of accountability. I believe the deputy minister talked about outcomes assessment. This is something that is



going on in the United States. A number of states have tried to do this, not with very much success is our understanding.

It is an amazingly complex area and it keeps weaving into the academic areas of the university. I think it is important to say that faculty tenaciously holds to its position, through the senate, that the academic areas are not the responsibility of the board of governors. There is no firmer line in the institution's internal battles than that one. The board has no role to play beyond its financial stewardship and its conception of its role as representative of the broader public in determining the academic programming of the university, and I guess I sense, as I said earlier, that I thought that the kind of audit we went through touched many of those areas directly. There is certainly—we have discussed it at some length—one area that caused us a great deal of difficulty and grief, and I am not—

**The Chair:** Before we continue, can we have the concurrence of the committee that we continue a bit further beyond noon?

Agreed to.

**Dr Stubbs:** If I could conclude, I do not want to be on the record as saying that I think the auditor, based on our experience, should expand the scope of the audit at this point in time, because I believe that much has been learned from the process we have already gone through. But I am not opposed to the auditor continuing the activity that he undertakes through inspection audits at the present time. I do not speak for the universities of Ontario. I will have a number of darts in my back.

Interjection.

**Dr Stubbs:** Yes, battleaxes.

**The Chair:** Thank you very much. There was one question asked by Mrs Cunningham and I wonder if perhaps in a word you can answer it. She asked if there had been a legal opinion sought in reference to the compensation package for the former president.

**Mr Stephenson:** Not an opinion in the sense that I believe the question would have been asked, but the—

**Mrs Cunningham:** I did not ask that.

**The Chair:** Oh, Mrs Poole, I am sorry, had wanted that. So in essence there has not been a legal—

**Mr Stephenson:** Not a formal opinion that Mrs Poole may have had in mind. But the board was represented by legal counsel and legal counsel cannot tell you whether or not you ought to sign a document, but—

**The Chair:** But it can advise you as to the practicalities of what four months' difference between that and the court decision might have been, what it might have cost you in legal costs if you had to fight the—

**Mr Stephenson:** It was a concern of mine when it came time for approval and I personally asked the question as to whether or not legal counsel had, in the circumstances with which we are dealing, viewed it to be a reasonable arrangement—given that we were dealing with unreasonable circumstances, that the arrangement was reasonable.

**The Chair:** We appreciate your coming here from Peterborough. It is a delightful place and to leave it even for a brief moment is a sacrifice. We appreciate your coming before the committee. We stand adjourned until 2 o'clock this afternoon.

The committee recessed at 1200.

## AFTERNOON SITTING

The committee resumed at 1400 in room 228.

## UNIVERSITY OF TORONTO

**The Chair:** Good afternoon. I would like to welcome Dr McGavin from the University of Toronto. Are you presenting the brief, or is someone else?

**Dr McGavin:** I am presenting the brief.

**The Chair:** All right. Perhaps you would be good enough to identify, for purposes of Hansard, the lady sitting to your left and the gentleman to your right.

**Dr McGavin:** Yes. To my left is Dr Annamarie Castrilli, the vice-chair of governing council, an appointee of the Lieutenant Governor in Council, and on my right is Professor Robert Prichard, president of the University of Toronto. We also have in attendance Richard Criddle, the vice-president of administration, and our external auditor in the person of Geoffrey Clarkson. They are sitting behind.

**The Chair:** All right. If you would like to proceed and when you finish—

**Mr Daigeler:** It is okay to proceed.

**The Chair:** Oh, I am aware of that. I was told by Mr Cousens that we could proceed if the Conservative caucus was absent.

If you would like to proceed and then when you are finished, there will be questions from the committee.

**Dr McGavin:** Thank you very much, Mr Chairman. I cannot tell you how pleased I am to be here today. I intend to talk a little bit about the governance process at the University of Toronto, talk about the audit and the progress to date and then talk about at the end some ways in which we can work together to our mutual benefit. I have introduced Annamarie Castrilli, the vice-chair, and President Prichard, Richard Criddle and Geoffrey Clarkson, and they will all be available to assist in the questions as necessary.

At the outset I want to briefly outline the structure of the governing council of the University of Toronto. It was created by this Legislature in the University of Toronto Act in 1971, after consideration of a report from the university about the modernization of its governance.

A few of you, or all of you, may know that one of the principal authors of this report was then a fourth-year history student from University College who is now the Premier of the province of Ontario, Bob Rae. The governing council of the University of Toronto is a unicameral body, which holds all the powers that boards and senates hold separately on other campuses.

I think I can report that we are the only unicameral board on this planet. Is that correct? The model was not followed by many, but it is working extremely well at the University of Toronto.

One half of the members of the governing council are laypersons. Sixteen are appointed by the Lieutenant Governor in Council and eight alumni, as well as the chancellor, are elected by the alumni. The other half consist of 12

faculty, 8 students, 2 administrative staff—these are all elected—plus the president and 2 senior officers appointed by the president. This diversity of membership, together with our unicameral structure, are important elements of accountability. We believe this unicameral structure, involving all constituencies in a single governing body, allows us unusual scope, for example, in examining proposals before us from all possible perspectives before making decisions.

I have brought with me a list of current members and brief biographical notes about them, which I will leave with you. Members of council work incredibly hard at making our system work and I am pleased to record here my gratitude for their efforts.

Governing council carries out its legislative, judicial and monitorial functions through three main bodies reporting to it: the academic board, the business board and the university affairs board. These boards, in turn, have a variety of standing committees reporting to them and it is this collectivity that we refer to as the governing council system.

Because council is such a diverse group, we devote time each year to reviewing our responsibilities. Last fall, I prepared some remarks for council members on their roles as trustees of this important asset we call the University of Toronto and I concluded to them in this way:

"The university is a self-governing community...but it is also a public institution with much of its income coming from the taxpayers and from the university's benefactors. You, the governors, are accountable to the public to assure that the university maintains and enhances its position as an institution of academic excellence and to assure that the public funds are being spent responsibly and effectively." To digress for a moment, for the "public" I mean also the Legislature and through its elected officials.

I went on to say to the governors: "During your time as a governor, you are going to be asked to make many decisions—some easy, some extremely difficult. We will do our best to make sure that you have all the information you need to make the best decisions. I encourage you to ask questions of the administration, your chairs and vice-chairs and the secretariat staff to learn all you need to know about the issues at hand. If you do this, you will not always end up in the majority on every issue, but you will have contributed effectively to our decision-making and have helped governing council make wise and effective decisions."

These are our standards. We feel responsible for preserving, enhancing and handing on the assets and the reputation of the university to the generations that will come after us. This is why the governing council of the University of Toronto exists.

The governing council takes its trusteeship of the university very seriously. We have a standing committee, the audit committee, whose sole concern is the oversight of the way in which our fiduciary responsibilities are carried out. Its chair is William Weldon, of Arthur Andersen and



Co, and its vice-chair is Spencer Lanthier, of Peat Marwick Thorne, very senior chartered accountants in Toronto, and with national reputations. Unfortunately, they were both committed to out-of-town meetings prior to receiving notice of today's sessions. They have asked me to convey their regrets to your committee and to indicate their availability to discuss the provincial audit and its results with your members at any other time. However, their absence means they cannot restrain me from pointing out to you the key role they played in the conduct of the provincial audit at the University of Toronto.

As soon as I was notified of the auditor's intention to visit the University of Toronto, I indicated to him and to the university's officers that the governing council's audit committee would exercise close oversight of the process and be the body to set out the tone for the university's conduct. I think that Mr. Archer's staff will tell you that the audit committee, and in particular its chair and vice-chair, were much in evidence during the process.

The basic attitude of myself and the audit committee was that the inspection audit was an occasion for self-examination and for seeing how well we as governors are discharging our responsibilities as trustees of the university. We took comfort that the inspection audit, to borrow a phrase from the deputy minister's remarks to you, "did not report any instance in which funds provided by the ministry were not spent on the purposes for which they were intended." However, we also took to heart the auditor's findings of certain weaknesses in some of our detailed controls and have acted quickly to remedy them—for example, by reminding staff of the necessity of following established policies and by initiating the review of existing policies where this was required.

I would like to summarize for the committee our activities in the areas addressed by the auditor in his report to the Legislature.

1. With respect to enrolment reporting, the auditor reported, and I understand the deputy minister has confirmed, that the university is accurate in its compliance with the ministry's guidelines. We have followed the progress of discussions between the auditor and the ministry on enrolment reporting and can only endorse any actions which emphasize full compliance and consistency in reporting. This is the basis on which we believe the University of Toronto and all other institutions should be treated.

2. With respect to tendering policy, the auditor found inconsistent application of the requirement for public tenders. This matter was in fact dealt with as part of a policy approved during the year being audited. Public tenders are now called for in accordance with the governing council's requirements.

3. With respect to our ability to account for furniture and equipment, we, like other institutions, are at the point where we will have to review our ability to maintain a fixed-asset inventory system. On this, the Ontario universities are moving in co-operation with each other through our financial officers to review such systems. The University of Toronto will decide by 30 April 1991 exactly what to do about our present system.

4. The auditor was critical of the way in which the university safeguarded some of its assets. In response, last month information was provided to all our departments on ways in which to improve the physical protection of assets. At the same time, the self-insurance deductible limit for each department was raised to \$2,500 to emphasize to each unit that it has a financial stake in the protection of assets. In addition, the physical protection of assets is being reviewed as part of the study I just mentioned on central fixed-asset inventories. Finally, a policy on the loan of fixed assets for employees is being developed for presentation to our audit committee and business board by 30 April of this year.

5. With respect to policy on disposal of surplus assets, in which the auditor found some deficiencies in implementation, department heads have already been reminded of the need to follow established procedures. The policy itself has been reviewed to make it as clear and comprehensive as possible and will be ready for presentation to our business board by early March.

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6. With respect to library books, the auditor found that not all of our libraries use the same systems of control and it was therefore not possible to estimate total annual losses. The auditor noted that complete annual counts of all books are not practical. We concur with this, but are moving to develop a suitable provision for losses which will be in place in our forthcoming financial statements for the year ending 30 April 1991. We can report to you today that the 0.3% loss reported by the auditor for one library was halved by the subsequent return or location of the books.

7. With respect to purchasing policy, the auditor found instances of the requirement for competitive quotations not being followed. The university has an adequate purchasing policy in place. To ensure it is followed, recordkeeping has been implemented to track purchases from single-source suppliers and preferred vendors. Purchasing staff and department heads have been instructed to adhere fully to the requirements for written quotations.

Mr Chairman, this is our summary report to you on the specific findings of the auditor about the University of Toronto. We will be happy to respond to questions from the committee about any of these matters.

Again, our audit committee is playing a key role here. Several months ago it discussed with our administration the detailed follow-ups that were called for in response to each of the auditor's observations. Audits, whether by the province or by governing council's own external auditors, can be only part of the picture. The expenditure of the public funds for which the governing council is accountable is subject to scrutiny which is as great as anything any of us has ever encountered. There is hardly anything that is decided without extensive public discussion on our campuses, both in meetings and in the media.

The on-campus media, of course, have their own traditions of independence, including the ones that are run by our own employees. The involvement of all campus constituencies and our openness act as a self-correcting mechanism, bringing us all the time back to fundamental questions about the wise use of scarce resources in the



light of the university's basic goals and the overall public interest.

This is particularly true of the big decisions we make. Resources are too scarce to allocate without close scrutiny and debate. For example, our annual budget process involves extensive interchanges between academic units and central administration, plus scrutiny of budget recommendations in several committees of governing council, including an examination by our business board of the fiscal responsibility of the overall budget.

In addition, once appropriations are established, we have mechanisms in place to limit expenditures to those that are approved or to recover funds in subsequent years if budget targets are not met. We also have an internal audit staff that is effective at what they do and which has direct access to the chair of the audit committee if the need ever arises. The president, who is responsible for the overall conduct of our administration, makes reports to and is open to questions at each meeting of our executive committee and governing council.

At the University of Toronto, we are proud that broad participation in open decision-making has the sanction of the provincial legislation. As I noted earlier, the University of Toronto Act provides for broad membership in our governing council. It also requires us to make virtually all our decisions in public meetings. We keep meticulous records of our decision-making, which are available at any time in the governing council office for anyone to inspect. We would be happy, of course, to put any member of the Legislature on our distribution list, in case there are a few of you out there who have not got enough to read.

Debate, even very public debate, is not an end in itself. It is necessary to ensure that our role as trustees is well discharged, but it is not sufficient. The grist for our mill, so to speak, is information and opinion about what the university should actually do to discharge its responsibilities in the areas of teaching, research and public service.

The governing council and the university officers are at the centre of these debates and have at their disposal an enormous range of expert opinion, internal and external appraisals, the wisdom of bodies like the Ontario Council on University Affairs, and the advice of external bodies which accredit our professional programs. We are the matrix through which all of this flows and the product is, we say with some considerable confidence, a range of teaching and research service and a catalogue of individual and collective accomplishment of which the people of this province can be proud.

I might add that I think it is in the public interest to maintain this breadth of accomplishment by many measures. The universities of Ontario deliver a great deal, particularly when the relative investment of public funds is taken into consideration. At the University of Toronto we have spent some time examining our competitive position, and we would be happy to expand on this point further.

A university which does not strive to provide the best possible teaching, research and public service is not living up to its own ideals. The same standards should be applied to our institutional governance. The autonomy given to our universities is not possible today without two things: clear

provisions for public accountability and internal mechanisms to mould the work of our highly skilled faculty and students into a set of programs and activities. University boards of governors are the means of uniting these two requirements.

Today, of course, and in particular in front of the standing committee on public accounts, our challenge is not just to provide the means by which public accountability and academic self-governance are to operate simultaneously, but to provide the means by which these goals are seen to be realized. It is, of course, why the audit committee and I invested our time in the oversight of the university's response to the inspection audit. It is also why we are eager to tell you anything you want to know about the findings on which the auditor has reported, and of course we will be pleased to respond to any questions about the University of Toronto.

Our accountability to the elected representatives of the people of Ontario is important. Over the past two days you have heard about some of the ways in which this already operates. Among the important issues of the 1990s will be the measurement and improvement of institutional performance, both collectively and individually. Individual performance will be of particular importance. The extent of institutional diversity will itself be a measure of performance.

In the absence of deliberate efforts to ensure diversity, every institution will gravitate towards some single norm, probably the least common denominator. The Legislature should be concerned about performance and diversity. The University of Toronto would be pleased to participate in the development of further ways in which these can be expressed and measured. We think that measures must be as concerned with output as with input. We also think that measures must take account of qualitative, as well as quantitative factors, and be diverse enough to support a differentiation of institutions.

Again, Mr Chairman, we welcome this opportunity to appear before you, in the expectation that it will help us better discharge our responsibilities. I will end by repeating our preparedness to respond to your questions. Thank you very much.

**The Chair:** Thank you, Dr McGavin. Would either of your colleagues wish to add anything, or would you rather do that through questions?

**Mr Clarkson:** I think it would be our preference to simply respond to your questions, sir.

**Mr Cousens:** I would like to begin with congratulations to the new president in assuming such a big responsibility. I wish you well in your job. It is a big one and it is a good one.

**Mr Prichard:** Thank you, sir.

**Mr Cousens:** Something that comes out of the auditor's study is the assets that are totally part of the university scheme. I happen to like golfing on one of your assets called Midland Golf and Country Club. Where does that fit into the assets of the university, where do the profits go, and how does that come to the bottom line of the university?



**The Chair:** And he wants to get his golf balls back too, lost on that first tee, I would think.

**Dr McGavin:** Can I ask the president to respond to this question, please?

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**Mr Prichard:** Let me respond very briefly, Mr Cousens, and then seek help because I have only a vague familiarity with the particular financial circumstances.

**Mr Cousens:** It is a symbolic question. It is really pointed to a much bigger question.

**Mr Prichard:** I understand. On the bigger question, I will be able to answer. On the smaller question, fortunately I have a colleague with me who among his responsibilities as the assistant vice-president of finance has been responsible for dealing with that asset, and if it would be appropriate, I would be happy to have him give you a detailed answer to the origins of that gift, to its current status, to its worth and how we are trying to realize the university's interest in it.

**Mr Cousens:** Save the trouble. What I really want to know is, you have a number of assets like that that are really part of what is the legacy of the University of Toronto. Where does that fall into your bookkeeping? How do the dollars that are taken from that fit into the total corporate picture of the finances of the University of Toronto? I think one of the things the auditor really did not touch on in a big way was that part of the assets. Maybe they are so exclusive and personal that you would not let the auditor look at it; I am not too sure. Give me a sense of the legacy that is University of Toronto and how much money is coming into that. Does that go to operating costs? To what extent does it go to operating costs? Does it go for new capital or is it just a growing reserve?

**Mr Prichard:** Let me try again. I would be happy to respond to any specific asset in detail either now or in future, but let me try and take a larger picture.

The assets of the university, beyond its human assets, are principally on the three campuses of the University of Toronto: the St George, Scarborough and Erindale campuses. In addition we have two further small campuses. One is the Aerospace Studies Institute in Downsview, which is on the same property as the University of Toronto Press, once part of the Connaught Laboratories, and we have the Dunlap Observatory, which was a gift to the university in the 1920s and which is in Richmond Hill where the observatory is. Those are the five, if you think of land assets. Among those, our ownership of all but the St George campus is complete; that is, within the land mass that you think of as the campus, that is owned by the university received by gift from the province or from individual benefaction.

In the case of the St George campus, the assets are somewhat misleading. If one walked or drove through the campus you might assume that within what most think is the precinct, that is owned by University of Toronto. In fact the ownership is mixed in that the university owns the bulk of that. Some of the universities associated with us—St Michael's, Trinity, Victoria, own parts of it; Knox College owns part; Wycliffe College. There are other owners,

and then there are commercial owners within the precinct as well of properties that have never been the property of the university. There is municipal ownership of the Boys and Girls House library. As I say, in a sense the physical asset is mixed.

As to those land assets we have, the great majority are dedicated to institutional uses and there is no income associated with them. The exceptions to that are principally with respect to residences, where there is of course, revenue. It serves an institutional purpose, but there is a revenue stream that goes back into the residences' accounts and then into the general accounts of the university. There are probably—well, I would have to think about this—some in which there is rental income from external sources which again is realized as current operating income and put into our income statements.

All income received by the university is accounted for, of course, by our internal audit and then by our external audit. It is all subject to the scrutiny of the governing council. That is, there are no funds which are not on the table in our public statements. As to the allocation, we have both capital funds and operating accounts. For example, the residences have to have a return into a maintenance and repair fund so as to maintain the capital assets so the ancillary is maintained as an ancillary. The parking ancillary is an ancillary. We have those ancillaries. Then we have the bulk of our accounts as our operating account.

So, of all the assets you see, some of them generate income. That income is brought in either to the capital account or the operating account and is then distributed through the budget process of, first, the administration proposing a budget, and then of course that budget being subject to scrutiny on the campus and spent.

**Mr Cousens:** Mr Chairman, if possible, I would appreciate receiving a listing of the different assets that are not related to the campuses and the precincts as you have described them, but start pointing to other assets owned by the university such as—

**The Chair:** Such as shares, Mr Cousens, or what?

**Mr Cousens:** No, I am a graduate of the joint, so I want to be gentler than I was with Trent.

**Ms Poole:** You did graduate, Mr Cousens?

**Mr Cousens:** Not retroactively, and we are proud of it.

But I am concerned with the other assets that are really part and parcel of the legacy that is the U of T. I only know of a couple, but one happens to be a golf club which generates cash. We always hear about universities being broke, which you are not, but it is tight. Where did that money go? How much is flowing in from that? Does it go into special reserve funds? Does it go into general revenues? How is that monitored and maintained and built upon, because it becomes a huge capital source of funds that I do not think many people think about when they start thinking about university assets.

**Mr Prichard:** I would be happy to generate such a list for you. I believe it is a short list in that we on the whole have tried to realize those assets and bring them back to the extent they are outside the precinct. I can think of the



Midland, where we own—we inherited some shares within it—some of the memberships. We do not unfortunately control it. If we controlled it, our situation, our dealing with it, would be quite different. So that is one. There are probably a couple of others.

As you probably know, we have the Royal Conservatory of Music, which is part of the university at present—it is about to be severed from the university—and there is a music publishing company which was given to the conservatory which is again going with the conservatory. That publishes all the music, but that is a separate entity so you might think of that as falling into that category, although it is part of the severance of the conservatory and that will not be ours. I could struggle to think—but we are talking, I think, of a list of three or four items. We would be happy to produce such a list for Mr Cousens if that would be helpful.

**Mr Cousens:** I would like that, anyway. Can I just ask the auditor—

**The Chair:** I would only ask you that if you produce it, maybe you could send it to the clerk and he will see that all members of the committee get a copy of it.

**Mr Cousens:** Did the auditor have a chance to review legacies and other gifts, as part of your audit, that have been given and bequeathed to the University of Toronto? Is that part of your assessment?

**Mr Peall:** No. Our mandate only entitles us to lesser things that are involved in the operating fund, so we cannot address the endowment fund of the university or its capital.

**Mr Cousens:** As to the way in which the funds come from those legacies, that usually becomes an exclusive preserve of the university, then, so it is not taken into consideration by the province.

**Mr Otterman:** It is fair to state that the administration was very careful not to allow us to get into any of the other funding areas or expenditure areas. We were restricted to the review of the operating fund.

**The Chair:** I think in fairness the act that empowers the auditor to do that actually does limit him to that, does it not?

**Mr Otterman:** Based on legal interpretation, one can put that slant on it.

**The Chair:** I would not want to leave the impression that the university had this purse that it was not opening up.

**Mr Cousens:** I guess what I want to find out is how clearly defined is the line. I have a sense there is a—

**Mr Otterman:** The line was drawn very clearly. We were held strictly to the legal interpretation that said an inspection audit, what it could and could not do, and our access was to the operating funds in which the government grants are given; in this case, the enrolment funding.

**Mr Cousens:** Would it have been your preference to look beyond some of those guidelines as to how the monies were being handled?

**Mr Otterman:** Yes. In any audit, any restriction significantly affects what you can do, and it would have been much better to have a wider scope. So the assets, the items that we examined and talked about were ones that could be directly tied to government funding.

**Mr Cousens:** To me, this leads to a series of questions which mean we will never know as legislators just how good a job you are doing if in fact you close the door to the auditor to do a kind of in-depth look at the University of Toronto. What I am hearing is that there was a line drawn. He could not cross over it because of the controls that you had before he came into the place. On the one hand, you are talking about how open you are and on the other, when he went there I do not sense that there was a total receptivity to his presence.

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**Dr McGavin:** I hope I can say with some measure of confidence that within the parameters of the audit, as it was set out for us, and the way in which we deployed our resources to deal with the audit, there was complete openness. There was the odd debate and there was the odd discussion, but I think the audit committee—I have some confidence that the audit committee feels that to the mandate that was given to the Provincial Auditor, we were as open as we could be. Where does it stop? Once you get going on that thing it is another issue, but we dealt, at the time, within the parameters of that and I would hope that we were as open as possible within that mandate.

**Mr Prichard:** I think there is an important clarification here. One is, as I understand it—I should say I was not at the university as president at the time, so I reported only on the explanation given to me by my predecessor—but there is a statutory mandate for the Provincial Auditor, which I believe was the basis of this audit and that defined the scope of the audit, the statutory mandate. Within that mandate—we can be corrected—I do not believe and it has not been reported to me that there is any point on which we have not provided full information on those matters within the scope of the statute for the Provincial Auditor.

There is a second question which is that the full breadth of the University of Toronto, as you are suggesting, is much larger than the scope of public funds provided by the government of Ontario to the University of Toronto. There is substantial federal support. There is substantial private support. There are alumni. It is a very large organization. While the Provincial Auditor does not reach that, because the statutory mandate is limited to provincial funds, on the question of the mandate, this mandate of the governing council and the procedures described by the chairman extend to every corner of the university and all its assets, all its revenues, all its activities.

The mandate of the governing council is exactly congruent with the activities of the University of Toronto, so there is nothing that is excluded from the governance process that was described with the openness within our particular mandate, our governing structure. The Provincial Auditor's mandate is, of course, much more restricted.



**The Chair:** Is it correct that 60% of your funding comes from the government, though?

**Mr Prichard:** Sixty per cent?

**The Chair:** Sixty per cent of the funding is from the provincial government.

**Mr Prichard:** That is approximately correct.

**The Chair:** I think, Mr Cousens, the deputy auditor wanted to—

**Mr Cousens:** Perhaps you could comment on the first point made by the president.

**Mr Otterman:** Yes. I would like to confirm what Dr McGavin said, that under the rules of our audit, if you want to call it the inspection audit scope—I believe the legal opinion was obtained by the Ontario Council on University Affairs, it was not the University of Toronto that went in and did this—within that scope we had the full co-operation of the board, as the chairman has said, so that confirms the clarification.

**Mr Cousens:** I guess I will close off with my point, which probably will not win me one vote and I might even lose one at home, and that is—

**The Chair:** You have got four years.

**Mr Cousens:** I have got four years before they will remember, but that is not the way people are these days.

I am concerned with the limitations that would appear to be part and parcel of the views that the auditor—my comparison is, when we in the town of Markham recently raised \$6 million for a new hospital, the Markham Stouffville Hospital, once the ministry found out about it, it found a way of taking a large portion of that money. The percentages had all been worked out as to how much we would have to raise locally. When it saw that we were more than successful, it changed the equation by the time we opened the hospital, so all the money we had raised locally went into the beautiful new hospital. We were able to collect it because we are rich enough that we will raise more. But the fact was that the rules changed once it knew we had the money in the pot.

I think there is a certain element in which, when the province is looking at the cost of education, there should be some way in which the auditor's review of a public institution which is jointly financed by public money, private funds and other levels of government—that there should be a more complete review of that without—I realize the guidelines that were there. I have talked earlier with the auditor, so I am aware that his limitations were fully met by the university, but I am concerned with the inability that he had to go beyond those boundaries to look at other matters that would give us a more complete outside review of the finances of the university.

Then you are able to tie those things and you will see how it comes together. It can be abused by the government—you know, it is not them any more—when it starts seeing just what the resources are, but then that is where your alumni and others start fighting for it, and maybe they try to increase it. I guess I have a problem. I will come back to the committee when we are reviewing our report, that we look at the scope the auditor is allowed to have in

such institutions. If he was only allowed to look at 60% of the pie, and not so many other parts, as it ties into the total function, I think there is a limitation that should not have been there.

**The Chair:** We have some other questions, but I would just like to ask you, what impact would that have on your ability to fund-raise outside of the public domain, if the people who were contributing in that vein felt that all of that was going to be looked at? I think that is important to know. If you have an opinion, I would like to know what it is, because when we are doing our report I think that is of some importance.

**Dr McGavin:** The public, be they alumni or the community around us, want the affairs of the University of Toronto to be beyond reproach, not just the 60%, but the 40%. We have mechanisms to deal with, shall we say, the other 40%, to partially answer the question. I take your point, Mr Cousens, about the other 40%.

We have internal auditing mechanisms in our own system, again, wide open. These people are not cloak-and-dagger operations. The marketplace within the institution is in itself a very controlling mechanism. There are not just little wee pockets of money out there that people do not know and are not watching rather closely. So we have our own internal dynamic with our own internal auditors and our own internal, if you like, marketplace dynamic.

Second, we have external auditors who do a scrupulous job day in and day out, giving good advice and converging on various groups, asking the right questions and signing off on audited statements with the reputation of their firm behind them.

**The Chair:** I do not think that was the gist of it. The gist of it was, what impact would that have on your ability to gather contributions, this other 40%, from the private sector, if they knew that this was all going to become part of a public audit?

**Mr Prichard:** I think there are separate questions here, Mr Chairman. If our donors thought that their contributions would diminish the public support we receive from the province of Ontario, I believe it would be devastating to our capacity to raise funds. So to the extent there is any sense of offset, our capacity to persuade the alumni and friends of the university and the corporate sector and the foundations to support us would be devastating. At that level, it would be devastating.

At a second level, though, I think our success in persuading people to support us is, as the chairman said, dependent upon our being exemplary with respect to the quality of financial management and the integrity of financial management in the institution. So we must have in place procedures, because we are often asked by benefactors: "How will my money be dealt with? How will it be invested? What are the rates of return? What is it being spent on?" We have the most detailed accountability to our benefactors and if they are dissatisfied they stop giving. So it is not responsive to whether the Provincial Auditor should be doing that or whether his mandate should be restricted to provincial funds, but the need to report openly



on every cent received by the university I think is central to our being able to do it.

I was just going to say that the financial statements that the University of Toronto publicly delivers report on every single cent, every single asset of the University of Toronto, no matter what its origins, public or private. In terms of the integrity of it and availability, it is there, but if the question is the offset, if alumni give more and then the province will give less, that I believe would end the growth of private giving to Ontario's universities, which has really been quite spectacular over the past decade as it has built and built and I hope will build over the next decade. It would end it. It would bring it to an end.

**The Chair:** Thank you for that clarification.

**Mr Cousens:** Perhaps I could comment because I think it is very important to understand that it is not my desire to cut into the investment by alumni and others to the university, but I have a concern about the way in which the levels of responsibility tie in at a government level to an institution that is largely publicly funded. I would not want to see the dishonesty that took place between our Markham Stouffville Hospital and the Ontario Ministry of Health. An agreement was made and it was broken, but we were so glad to get out of things that, okay, we live with it.

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None the less, I think it is important that when we were raising that money it was public, it was known, and I think the picture that we get now from the Provincial Auditor is not as complete as it could be if he had further boundaries to look more fully and more completely, and if he saw something in there that was triggered from his study—and I will come back to this when we are doing our report.

**The Chair:** That is what I was going to say. We can deal with that—

**Mr Cousens:** I just want to cover myself so that—

**The Chair:** I thought you covered yourself admirably, actually.

**Mr Cousens:** Maybe I am digging a deeper hole.

**Mrs Cunningham:** Is Mr Cousens's name on your donor list for alumni of University of Toronto, because you should send him an immediate—

**The Chair:** Check it and see when he last contributed.

**Mr Prichard:** As president, I make a point of not examining those questions with respect to provincial politicians.

**Mr Daigeler:** It is a pleasure to be able to talk to the representatives of the University of Toronto, first to congratulate you on the initiatives you have taken in response to the auditor. Quite frankly, of the two universities we have seen so far, your response strikes me as one most forceful and clearly committed to making changes in light of the auditor's reports with regard to assets, library control and public tenders and so on, and I hope you will continue. From your remarks, I sense that you will continue to monitor that very closely.

However, that broader question that Mr Cousens was trying to get at is one that bothers me still quite a bit. I do not know whether you have a copy of this document—if

not, you should certainly get one because it is a public one—the 20 December 1990 letter by the Provincial Auditor to the Deputy Minister of Colleges and Universities in which he summarizes his experience with the audits of the three universities. He is saying there: "Because the scope of an inspection audit was narrowly interpreted by the universities, many areas that are essential to the operations and accountability of universities were excluded from our review. We cannot assess whether public funds were spent with due regard to economy, efficiency or effectiveness."

Later on—I think we were talking about that already—he goes specifically to the University of Toronto: "For example, subsequent to our audit of Toronto, the media reported that the university was faced with a significant operating deficit for 1990 fiscal year due to many years of government underfunding." Certainly, your president has appeared before our legislative committee on pre-budget hearings, finance, making that very point, that there is very significant underfunding.

The auditor goes on to say: "However, we noted that in fiscal years 1988 and 1989 the university had accumulated an operating surplus of well over \$50 million, which was transferred to a restricted fund. As we have no access to restricted funds, we were unable to determine the accounting controls or subsequent disposition of the transfers to these funds. In fact, during our audit at Toronto, we were aware that an employee was facing court charges for misappropriation of restricted funds. The employee was able to misappropriate about \$175,000 over a five-year period. The misappropriations went undetected because of a general lack of control over fund receipts and the absence of audit of such funds."

Quite frankly, when I read this from the Provincial Auditor and I hear your earlier remarks about the controls that are in place, I remain a little confused and wondering who to believe here, whether the underfunding situation is as dramatic as is described and, second, whether the controls that are in place are working as effectively as they should.

**Dr McGavin:** Thank you very much for the question. We are aware of this, and let's stay on this topic until you have complete satisfaction. I think there are some important issues here. I am going to ask the president, Rob Prichard, to go over the details with you in the detail you would like. Let's sort this thing out right here and now.

**Mr Prichard:** If I could take what I think is a detail, but I think it is important to separate it here, which is the reference to the misappropriation of funds, I would like to be very clear on that fact, because it is, I believe, unrelated to the other matters from which you are reading.

That involved an employee, a number of years ago, engaging in clearly fraudulent conduct which was eventually caught. The person was prosecuted and the funds were reimbursed to the university by insurance to replace the lost funds. It was a clear case of fraud by an individual employee. It was clearly wrongful. Like any large institution, like a bank, like an insurance company, from time to time—fortunately, touch wood, infrequently—you get a very seriously dishonest employee who steals from the



institution. It happens, regrettably, in any large institution. It happened at ours.

I am pleased to say that case was dealt with satisfactorily. The person was successfully prosecuted and all the funds were recovered from insurance. That situation clearly should have been caught faster than it was. But I want to make clear that that situation is totally unrelated to the other matters described here, coming through the discussion of the underfunding and the accumulated surplus. This is a completely unrelated matter.

On the question of that particular employee, of course it then led to a review of what procedures we use for receipts of funds. I can tighten, tighten, tighten, as any institution should, but I would not hold out to you that over the next five years or 10 years there will not be another employee, I regret, who will steal from our institution, and no matter how good our controls we will not be able to find it. I am pleased that it was dealt with properly once the employee was caught stealing and it was dealt with appropriately.

Maybe it would be helpful if I answered any more about that particular incident, if that would be helpful to Mr Daigeler.

**Mr Daigeler:** My point, really, in raising this here is that the auditor is using this example as evidence for his claim that he should have an enlarged mandate to look at the operations of the universities.

**Mr Prichard:** My answer to that, sir, would be that the breadth of mandate of the Provincial Auditor will not affect whether an incident like this occurs again in the next 10 years, just as various municipalities—it will not, in my view, catch that if there is sufficient fraud and coverup of the fraud and falsified records, unless you have an audit that goes right down—a deep, deep audit triggered by some expectation of impropriety, which, of course, is how cases like this are caught. Someone is living above her means, someone is doing something. Then you get a trigger. Then we have an internal audit group that goes in and looks at every cheque, every document to find the forgery and it is dealt with. My own view would be—it is, of course, only my view—that the fact that from time to time there will be a case like this will not help you decide the appropriate breadth of mandate of the Provincial Auditor.

**Mr Daigeler:** I will have to ask the auditor later on about this, but I am going not so much on the fact of this misappropriation but by the conclusion the auditor drew in his report, where he says, "The misappropriations went undetected because of a general lack of control over the fund receipts and the absence of audit of such funds." I am not here to judge whether this is accurate or not. I am just going by the fact that here is a public document in which the Provincial Auditor is saying this. I can only assume that he has reason to believe that if he were from time to time allowed to do these wider inspections it would not occur. Perhaps we want to move on the other point.

**Mr Prichard:** Mr Chairman, to the clerk, if you would like a more comprehensive background on what this involved, all the newspaper reporting, all our reporting, the new controls we put in place, I would be happy to provide

that to you. Again, it was an issue we publicized, we reported to the newspapers, we reported to our governors, and we have done what we can to try and minimize the likelihood of it. Our interest as an institution in ensuring that these incidents are minimized is no more or less intense than the Provincial Auditor's, as is true of any public or private institution. I start with this, simply because I do not personally believe—I defer to your judgement, of course—that this incident is helpful on the general issue of the appropriate scope of the provincial audit.

**Mr Daigeler:** We can move on to the other question of the operating surplus.

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**Mr Prichard:** You asked about the surplus. At the risk of taking too long, the only way I can answer this is to give a quite detailed financial answer to explain the origins of that surplus and the disposition of the surplus and the reasons for it. With your indulgence, Mr Chairman, I would like to work through those numbers. I have some notes prepared to help me.

The auditor refers to two years of operating surplus, of \$32 million in 1988-89 and \$22 million in 1987-88. In the interest of clarity, why do I not take the bigger of the two years? They are conceptually the same, but let me take the year in which the number is the larger. I should say that we do not disagree. We accept the auditor's numbers on this. There is no disagreement about numbers. The only question is to put that number in context, understand it and interpret it in terms of your question about underfunding.

The surplus recorded of \$32 million is composed of four components, if you will. It is made up of four different lines in our financial statements. I will round off the numbers, just to give you a sense, because the hundred thousands do not affect the outcome.

It is made up of \$1.8 million that was used to reduce the prior year's accumulated deficit; second, just under \$500,000, which was used to reduce the operating deficit in our ancillary, associated with the University of Toronto library; third was made up of \$7.5 million, which represented funds that had been committed but not actually spent, purposely. The two largest of those purposes, simply by way of illustration, were:

At the end of the fiscal year, commitments had been made for repair of buildings where the contractors had not yet arrived to do the work and therefore collect a cheque; the commitment was made to spend the money, but it was not actually paid to the contractors because the work had not yet been done, but the money had been notionally spent. The second major area was outstanding purchase orders for books in the library, where there is often a delay between the purchase order and the arrival of the books, going over the end of the year. But the \$7.5 million in total represents commitments already made but not yet paid, the cash not actually flowing out of the account.

Those first three numbers together that I have given you, paying down two deficits and the forward commitments already made, amount to \$9.7 million. The remainder, approximately \$23 million, arose in 1988-89 as a result of the situation of the university's pension plan and



Department of National Revenue regulations governing contributions to the plan. In that year, the pension plan was in surplus. That led to a negotiation with our employees, the faculty association, which led to an agreement whereby various pension benefits were enhanced in that year. In particular, the level of indexation of pensioners and some adjustment of long-term pensions were improved.

It was also because of the size of the surplus that we were not able to contribute our current service costs that year to the pension fund, because the surplus was larger than the maximum permitted. As a result, what we did with that cost line in our budget of \$23 million was that instead of putting it into the pension fund, we put it into a restricted fund, outside the pension fund because it could not go into the pension fund, and we then used the income from that restricted fund to flow back into the operating budget. We expended it into a restricted fund, with the income, then, from the restricted fund coming back into the operating budget.

So when the Provincial Auditor and our auditors report that, that \$23 million is not an expenditure for operating purposes, just as the \$7.5 million is not an expenditure for operating purposes but funds dedicated to a specific purpose. Those together amount to \$32 million. So the statement is correct that we had, for accounting purposes, an operating surplus of \$32 million, incorporating those four headings. You might then say, "I understand why you'd pay off your deficit, since you'd already accumulated it." If we get into deficit, it gets deeper and deeper or we try to pay it off. So we tried to pay it off. "I understand why there are forward commitments, but why would you put this into a restricted account and only spend the income in the operating budget each year? Why would you do that, instead of spending it all in that year? Why wouldn't you just spend down the \$23 million?"

The reason is as follows. It was the judgement of our administration, endorsed by our governors—there are no secrets about this—that because of the new liabilities we had incurred in agreeing to enhancement of the benefits to the employees, which would represent a continuing cost for ever—because current service costs are not just a one-year matter; they continue for ever—we had to make corresponding provision for the operating budget that would allow us to continue to meet that cost as we go. So rather than spending it down in a single year and at the end of the year, having spent the money, not having the capacity to meet our liabilities, which are in effect for ever, for which we get no enhanced operating support, what we should do was put the money in a restricted fund and spend the income from it each year to meet our new liabilities.

From a point of financial management, our liabilities were increased, and our income stream was increased by an appropriate amount. It was the judgement of the administration and of the governors that that was a prudent response to a one-time event, which was more prudent than spending it down and then leaving us with the liability in future. That is why there is a surplus in the accounting sense. As I say, there is common ground between the Provincial Auditor and the university. There is no difference in the numbers.

The question is then, and I am quite happy to answer further questions on that explanation, what does that tell us about whether or not the university is underfunded, as I described in my appearance before the committee downstairs last week, and my counterparts have done the same and the newspapers have done the same and the leaders of the parties have done the same?

For that, I think I would say that I cannot improve upon what the deputy minister said to you two days ago with respect to his assessment of the funding available to the universities of Ontario relative to other Canadian provinces. What I can perhaps do, just to supplement that slightly, is to give you a sense of the disparity a university like the University of Toronto feels, which is distinctive because of the scope of activities of the university.

The University of Toronto is a member of an organization called the American Association of Universities, which is the 50 leading American universities, about half public and half private. It is Princeton, Yale, Harvard, Stanford, Chicago; but it also Michigan, Berkeley, UCLA, Ohio, Pennsylvania State, Michigan State. It is the great public and private institutions of the United States. There are 50 of them. There are two non-American members that have been admitted to membership in that group. Those are McGill and the University of Toronto. Those are the only two non-American members.

In that company, when we compare our resources to the public institutions—not the private institutions, the public institutions—the disparity of support for our university relative to them is the most striking of all. The disparity between Michigan and Michigan State and Pennsylvania State and Ohio and Illinois and Berkeley and ourselves is absolutely devastating, in terms of our capacity to compete with them to be among the fine universities of the western world.

The number that perhaps best captures it is that on a per student basis the University of Toronto receives 40% less per student than the average of those public doctoral institutions. That is leaving aside the extraordinary resources of the private universities. With the public universities, our funding is 40% less per student.

This is not the forum, I am sure, for me to give a more extensive treatment. I would refer you to the transcript of what I said last week, and I am happy to provide you with speeches and any detailing of this you want on comparative indices. But in my own view this disparity is absolutely critical to the health of our university. Indeed I would say on behalf of the other universities of this province that it is a policy which over the long term will not only damage Ontario's universities, as it is now damaging them, it will greatly damage the economic, social and cultural welfare of this province, which in my view is intimately linked to having a healthy post-secondary sector and having some institutions which can rank with and compete with the best institutions in North America, particularly at a time when we have now exposed ourselves as a country to open competition with the rest of North America. To leave ourselves so constrained with respect to the support for our post-secondary institutions, my own view,



no doubt influenced by my current job, is that this is a tragic policy for the province.

My short answer to you, sir, would be that there is no question and no ambiguity on the question of the severe underfunding of Ontario's universities. I believe that is common ground among the deputy minister, the minister, the Premier and the leaders of the other two parties, but it is for each of them to speak and not just for me. I think it is a tragic situation.

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**The Chair:** We have to move on. Mr Hope.

**Mr Hope:** Just one thing I have to get clear out of all the wording you just put across. Have you taken the surplus of your staff's pensions and are you using it to put it in a special fund?

**Mr Prichard:** No.

**Mr Hope:** Just do not go into an explanation. I just wanted to get something straight here because when you talk about pension surpluses—

**Mr Prichard:** No, the straight answer is no. No dollars were ever removed from the pension fund—

**Mr Hope:** We would not become friends for long, I tell you.

**Mr Prichard:** —and no dollars will be removed from the pension fund.

**Mr Hope:** Dealing with your university, and I am referring back to page 5 when you talked about "a university which does not strive to provide the best possible teaching, research and public service," as one who has been an adult educator within my organization, working on a large number of people sitting in a room and doing lecture style, I guess I have to ask the question, is that quality education, when you have a whole bunch of people? I do not know what the numbers are. The only lettering I have after my name is MPP. I never went to university or college. I guess I have to ask that question to you. When you fill a room full of people and you have one facilitator instructing or educating a group of people, I guess I have to ask the question, what is the quality of education that is actually being absorbed by the individual sitting there?

**Dr McGavin:** Let me take a start at this. Education is not just something that is given by somebody. It is something that is taken and something that is desired and something that is very much dependent on the individual sitting in that classroom. At some point along the way, and I do not know what grade it happens in, sooner or later people say, "Education is your responsibility." At that point in time, the individual either takes that view and moves on or does not and quits education. My point there is that it very, very much depends on the individual sitting in that classroom.

Quality education, I wish we could measure it. I want to ensure that the University of Toronto provides the best quality in everything it does and when the individuals, through the mail or through some other process, sign up for a course on writing or Mao thought or English or history, they generally hope that they are going to get the best possible education they can have. I think that is what you

are talking about. It is up to the university to provide the best people we have in a room that is going to be comfortable enough, not leak and not be too warm or too cold, and to provide other means to ensure this education is proceeding, through providing library facilities, through providing duplication facilities, proper procedures. All of these things take a tremendous team effort with everybody involved, not the least of which is that individual who wants to have an adult education or be part of the continuing education process.

The University of Toronto believes that education is a lifelong process. Last year we gave an honorary degree to a woman; she was only 100 years of age, working on a degree. She epitomized lifelong education.

**Mr Hope:** Some of us thought it was going to take us that long to get through the university.

**Dr McGavin:** She did not start when she was 14. She is a terrific person—one of the prouder moments in giving an honorary degree. But she always expected she was getting the best. I hope that they are getting the best.

I am getting a little worried now that they might not be getting the best. We are cutting now to where we are cutting into the future of this province. When we cut back on research money, when the transfer-payment numbers come down, if they have not drifted in here already, when the budgets come out and once again we are cut back a little bit more, it says a whole lot of things but it tells the great minds in the high schools, those who want to go on for continuing education, that maybe it would be better to do it some other place where there is more money being given to research, where professors are being attracted and being stimulated by the dynamic of higher education in this province or that province.

There are instances out there where people are sitting between seats, where they cannot get material duplicated. This is not because there is some other group out there squirrelling away some money somewhere; it is because we are having to cut back and we are having to rely very much on the individual who is sitting in that chair saying, "I'm going to make sure that regardless of these constraints, I'm going to get a quality education." Not everybody is that motivated.

I hope that we are providing a quality education. If we are not, I want to quit it. If we cannot do it, then we do not do it. It is getting tough, the lateral thinking—the imagination of the administrators and the people involved in the University of Toronto is flat out, working as hard as it can to provide quality education. I hope we are doing it. I do not know if that answers your question or not. It is tough.

**Mr Prichard:** In supplementing that response, I think the quality of education in Ontario universities is less good than it was five years ago. I say that of my own university as well. I think the overcrowding of the university has significantly contributed to that decline in quality.

**Mr Hope:** Overcrowding in what sense?

**Mr Prichard:** Overcrowding in the sense of having more students to accommodate than the resources, both physical and human, of the university can properly support to provide a first-class experience. I do not measure that by



a single class size. On your very specific question, I believe a very large lecture hall with a very large number of students in it and a fine professor can, as part of an education, be a valuable contributor. I personally am not opposed to having classes of 1,000 or 1,200 students in our Convocation Hall if it is part of an experience that also includes then breaking out into small groups, into tutorial sessions, into labs and the like. I think that diversity, taking advantage of the economy of scale, of having an excellent lecturer imparting general lecture as part of a learning experience can be an effective part of learning. Indeed when it is in that context of a diversity of educational experience and it is one part of it, our student response to it is really quite positive and I think it is quite an effective way to teach, if it is part of it.

What kills us is if the scale of the operation in all aspects of the student experience is so large that there is never the individualization of the learning experience, never the time when the student is called upon to speak, the student is called upon to write and get feedback on the writing, where the student has to work it through with the teacher or with the teachers. It is the loss of that experience as part of education which is so damaging, and similarly, on the non-academic side when, because of too many students and a shortage of human resources, where a student who needs guidance, who needs counselling, who needs help, who needs tutoring, who needs help to make sure she makes it through or he makes it through, it is in those areas where the quality of education most suffers, not per se simply the fact that some of our classes will be very large.

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**Mr Hope:** Well, I guess why I posed this is, coming from the labour movement and representing parents whose children may be in university if they continued and had the finances to do it for them, what I look at is, number one, the student aspect. We talked about accountability also financially and I think we have a moral obligation too as politicians to make sure that proper education is formulated. It is bad enough that a lot of us are getting grey hair sooner than we wished to get them but—

**The Chair:** You will get them a lot faster here, believe me.

**Mr Hope:** Well, the Liberals gave them to me the last five years so I guess I can live with them now.

**The Chair:** Oh, now, now. This is non-partisan, this committee. He said "the Liberals."

**Mrs Cunningham:** For shame. You are the one who talks about the non-partisanship of this committee.

**Mr Hope:** Okay. I will drop it then. I guess what I am looking at is dealing with the attractiveness of your university to a lot of people of rural Ontario. It is a different lifestyle for a lot of children moving in, and I guess what I am looking at is the extra strain that is maybe put on to a student. You talk about the thing outside the classroom where I am sitting in my room and I am thinking, "God, I wish I had asked this question," because there is many a time, as Dianne can verify, when I have said, "Dianne, I wish I would have asked this question." She says, "Good

thing you did not ask it," but at least I have always wanted to ask that question.

**The Chair:** Why not ask your mother?

**Mr Hope:** I guess I am kind of wondering about the educational process, because as we see what is happening with our federal government's initiatives to enter us into a world market, in North America or whatever you want to call it, which is making us—and you hit it on the nose a while ago: competitiveness. It seems to be the key issue. I guess I worry about the word "competitiveness," but you know, I am looking at, number one, our universities and our community colleges providing the future of Ontario through technological change, which is a key thing in which we are vastly behind the rest of the world, and I think it is very important.

I just feel that more personal communications with instructors and facilitators to the general students in developing a higher quality—you talk about competitiveness and you always hear about them. I have come from the automotive sector. It is about corporations talking about being competitive and talking about quality. I am looking at quality as that aspect of the communication and dialogue between a student and the facilitator.

**Mr Prichard:** I agree with you, sir. I agree with you.

**The Chair:** I am sorry. It seems as though I keep cutting you off, Mr. Hope.

**Mr Hope:** I know you do.

**The Chair:** I do not mean to do that and I am sure that they would like to respond because there was another committee at which you responded in the same vein, but I think we have to sort of stick to what we are dealing with.

**Mr Hope:** This is what we are dealing with.

**The Chair:** Well, we are in a sense and we are not in a sense, I suppose.

**Mr Prichard:** I agree with Mr Hope's comments.

**The Chair:** That is a quick response.

**Mr Hope:** Thank you.

**Mrs Cunningham:** Dr McGavin and Professor Prichard and Dr Castrilli, it is good to have you here today. The auditor's report, of course, is the subject matter of the committee, so I will try and stay on topic if I can. It is very difficult, especially for me at any time. I admit it, at least; there are others in this room who do not.

I will also say, having listened to your presentation on behalf of the Council of Ontario Universities at the finance committee last week, it is the irony of talking about the tremendous challenges that the universities have and the competitiveness of our students attending our universities and others, the tremendous dilemma, but I have quoted you frequently since, so I thought you did a magnificent job on behalf of the constituents that you represent.

**Dr McGavin:** Thank you.

**Mrs Cunningham:** I do not know if anyone has asked this—and Mr Chairman, if they have—

**The Chair:** I will cut you off.

**Mrs Cunningham:** —I will give you permission to cut me off.



Mr Daigeler actually started on this particular document. It is the last page of the 20 December one, and I am not sure if he has included the last page.

**Mr Daigeler:** No, I was getting to that at the end of—

**Mrs Cunningham:** You got this from me, right?

**Mr Daigeler:** That is right.

**Mrs Cunningham:** So in fairness to the auditor, no matter what side one is on right now, he talks about the enabling acts of the universities. You have heard my colleague Mr Cousens, who I wish would listen to me in the way that Mr Hope does from time to time. But I will say that there are legislative problems around who looks at what. I believe that we do have the responsibility, certainly as elected persons, to make sure that public funds are spent accordingly. I share, I think, what I heard is a concern from your chairman that if we get into the private stuff, as a person who has to raise money for public institutions, we would not have a hope in heck of raising any if we at the same time had to put it towards the operating grants of our universities. So I share that.

The first point is, the enabling acts pretty well tell us who can do what. Basically the auditor takes a look at his role as the management of the public funds of the institutions.

In looking at the reports that we received on all three universities, at first glance and without a real knowledge of how universities work, the headings alone are, I think, shocking. You heard just the one example that my colleague used, and you should have heard the one that he used this morning as an example of the kinds of things the public is really concerned about.

I would like you to respond to what you feel would be appropriate beyond the scope of the auditor, if anything. That is the first question.

The other point that was made, I believe probably by you, Dr McGavin, was that you have your external auditors. I would share the auditors' view on this that basically they comment on what has been fairly presented by the universities in their reporting. I am wondering whether they then, from your point of view, should be given more of a role by the administration of the universities in making certain that the universities, where they know the rules of the government—because they did not always know the rules—comply with the rules. Because obviously there were some rules around the basic income units that were not followed correctly. But more important, there were policies of the universities themselves that were not followed, in all three audits and not just at Toronto. So perhaps you could respond to the role of the external auditor in some way.

The last one would be this: If you had your choice, would you want—

**The Chair:** This is multiple choice, by the way.

**Mrs Cunningham:** No. I am asking you three. Then you do not have to—

**The Chair:** All right.

**Mrs Cunningham:** The third one is, if you had a choice, and this committee has to make some recommendations—rather, I think we have been given some choices

here—do we look at changes in legislation—which I think Mr Cousens might want, I do not know; do we look at more efficient monitoring by the ministry itself of the funds that it in fact, I think, should be responsible for, or do we look at another audit process? Why should we have to wait for inspection audits to point these things out with the work of the auditor? We need adequate monitoring by somebody, either the external auditors of the universities themselves or by the ministry offices.

I hope it is not complicated. I tried to stay with the three points. I would appreciate your views so that in our further deliberations we can get them clarified.

**Mr Prichard:** I will take the first and third questions and my boss will take the question that you directed specifically to him on the role of the external auditor. Our external auditor is with us if you want to put any questions to him about what increase in his role he would find helpful.

**Mrs Cunningham:** I would appreciate that.

**Mr Prichard:** On the first question, what is appropriate beyond the Provincial Auditor, my own sense is the answer for us and for the system is that indicated in the chairman's final paragraph about performance. My own view is the challenge for us is to find ways to benchmark our performance, set goals for performance and measure ourselves against them. That to me is the challenge for us—just the way Xerox had to set quality goals for itself, measure where it was, set a plan to improve and then measure that improvement, just like any well-run organization sets goals for itself, sets out ways it thinks it can measure them quantitatively and qualitatively and then does it.

What I have said, from the beginning, from the day I was interviewed by the chairman as to whether I might be given this job, and through things I now say on the campus—I am beginning to open up with the campus—is: How can we better measure ourselves, benchmark ourselves, see where we are, ask ourselves where we want to be and then measure whether or not we are getting there?

1520

That is something we should do regardless of what you as elected representatives do. If we do that well internally and then share the result, my guess is, once one gets beyond the financial integrity, which is, I take it, the Provincial Auditor's current responsibility, there is no difference there. We are talking about the effectiveness in meeting our mission, defining our mission and meeting it.

My own view is that our development of measures of our performance is the key to it. Having said that, I want to immediately caution that the wrong side of performance measures is to encourage everyone to look alike. As anybody who has ever had to listen to me for more than five minutes knows, I think the key to a strong Ontario university system includes diversity of institutions.

You had one before you this morning with a very special mandate, a magnificent mandate of undergraduate education. My own view of the view of the future of the university system in Ontario is that that should be continued, encouraged, invested in and measured against those



standards. It would be unwise to take the performance measures appropriate to Trent and necessarily apply them to my own university and vice versa.

The key in developing performance measures and monitoring those measures is to build in from the beginning the diversity that I think will serve Ontario well, with different institutions negotiating a mandate with the government as to what it is going to try to do rather than being asked how you are going to measure whether you are doing it and then reporting back on how you are doing. For me the answer is diversity but measures of how well we are doing quantitatively and qualitatively. That would be my answer to the first question.

On the third question, the question of the integrity of our financial accounts, on that limited mandate of the university, I would defer much to the Provincial Auditor as to whether he thinks, on the basis of the three that have been done in these hearings, there are other steps you can take to expand it to the other universities, to increase the frequency or whatever. We have no reservation about that. Anything we can do to reduce the frequency of financial difficulties for ourselves, we are in favour of. If that is the judgement, we are not expert at that. We would welcome that if that would increase it.

On the question of the improved performance of the university, as opposed to the integrity of our financial reporting, spending every dollar we received for the approved purposes, my own judgement on that is that the answer will lie in a variation between one and two, which will be a forcing mechanism that forces each institution to measure itself and then measure its performance over time against goals and report on that.

My sense is that you need a version and a variation of the Ontario Council on University Affairs as the buffer to insist on that performance, to insist on definition of mandate and then measurements against it. That might require a legislative change. It might require more monitoring by the ministry. It would, in my view, best be done in a way that is sensitive to diversity of institutions and the quality of the performance of the institutions.

That is what I would focus your attention on beyond the financial integrity on which I defer to the judgement of your auditor as to what more steps could be taken and up to the judgement of the chairman and our external auditor as to other steps that could be taken to ensure every possible precaution that is cost-effective against lack of accountability and integrity of our financial system. Our interest in that is equally as intense as the government's, Mr Chairman.

**Dr McGavin:** I would like to get to your second question but just say something on what is referred to in university language as outcomes, assessments and accountabilities, to say that the University of Toronto for some time has been a member of the Canadian Universities Data Exchange Consortium where this issue is debated with some vigour. These types of performance indicators are used quite extensively in some states in the United States; maybe 15% or 20%, it is hard to say. Whether they are a carrot or a stick, it is hard to say. Again I caution exactly what President Prichard says: They have to be used

with care. I would like more of these measures, just for our own internal evaluation and progress and performance evaluations. I have spoken to the president about that and I think this is proceeding.

To answer your question about the expanded powers of our external auditor, he is a function of the audit committee which is a committee of the business board. Basically, we can ask anything of our external auditor. We can ask him to expand his role in any way we like. To this end, we are grateful to the Provincial Auditor for coming through. We have raised some issues. They have taken a look at a few things and, indeed, through that whole process the external auditor has been alerted to some other issues and we will be checking on it. Basically, we can ask our external auditor to carry out any analyses we like through the audit committee of the business board, again a very open procedure. We do not have to ask the president, "May I?" We do it. That is the way it works at the university.

**The Chair:** I think we are going to have to—

**Mr Prichard:** The auditor, if it were possible, did have something he wished to say on this specific question.

**The Chair:** Sure. Please identify yourself for posterity.

**Mr Clarkson:** My name is Geoffrey Clarkson. I am a partner of Ernst and Young and I am the partner responsible for the audit of the University of Toronto.

In regard to the question of expanding the role of the auditor in the universities, the process is already starting in connection with the audit of the various excellence funds. The ministry has asked us to report directly to it on certain funds which are allocated to the university. In the case of the enrolment audits, we report specifically to the ministry, and there is no reason why audits of specific funds cannot be expanded and we can report on it.

On probably a broader issue, which I think is what you are focusing on, the question of comprehensive auditing or value-for-money auditing, all of the major auditing firms now have experienced staff who have been experimenting with and developing techniques for measuring criteria to measure whether money is being spent effectively. I think that this would be a group who could provide a lot of help to universities in developing standards for measuring outputs and input costs.

I would just point out that one of our partners has just been made the Auditor General, Denis Desantels, and his experience was focusing on applying value-for-money auditing in the government sector. I would think that this is the sort of thing you are thinking of.

**Mrs Cunningham:** Just as a supplementary, because I think it is going to be key to our own recommendations, my experience on a school board for some 15 or 16 years was that the auditor did exactly what this auditor said, passed comment on whether things were done well or otherwise, but I do not remember him talking about our own policies and whether they were efficient. I can be specific.

If you take a look at the table of contents—I will just read a couple of them—you read this: "Competitive quotations policy not followed." This is under "Purchasing and Payment Practices." "Purchasing department bypassed."



Another one was "Tendering policy not followed for capital projects."

The university has responded to us on that, so I am not interested in whether that was good or bad. I am just asking you as the auditor, do you have an opportunity or have you in the past—forget Toronto because we are talking in general now—would it be a normal part of public audit, either in school boards or colleges and universities or hospitals, to pass comment on whether institutions are following their own processes that they have in place?

**Mr Clarkson:** Some of those; not all of them.

**Mrs Cunningham:** Some of them. I guess my point is that we could be saving everybody a lot of time and money if somebody looked at the role of why you pay an auditor and what you want him to do. Actually, I think a manager of a department should be doing that. That would be my view. In the perfect setting, the manager should be responsible and if he does not do it right, fire him. But I do not see a lot of people being fired in public institutions and I have been around for a long time. Maybe managers nowadays just need you to be the scapegoat, so to speak. Sometimes auditors are afraid to do that too because they do not get a job the next year round.

1530

**Mr Prichard:** These auditors are not, I can assure you.

**Mrs Cunningham:** We represent the public, so that is why we are asking these questions. You just might want to make a comment on my facetious but realistic observation.

**The Chair:** We are the only public service. We get evaluated every four or five years or sometimes earlier than that in fact.

**Mrs Cunningham:** Our chairman is very sensitive on that topic.

**Mr Clarkson:** My own experience is that we do favour a place with money limitations on the type of audit we are doing so we audit basically receipts and disbursements to make sure that they are all right and that the financial statements present fairly.

When you get into some of these other accountabilities like the purchasing system, we do not get into them. It would be very easy for us, if we are instructed, to add that to our terms of reference, to spend a week or whatever it may take to do that work.

In terms of being challenged, they report everything we do. At U of T in particular, they have had a history of having, almost to my annoyance, senior partners of other firms who are always asking the tough questions to make sure that we are getting into the areas that should be reviewed, and I think it has turned out to be very useful and to the advantage of U of T.

**Mr Prichard:** I believe it is also the case that the audit committee, led by these senior partners, insists on meeting with the external auditor, with all university employees excluded, to report, so there is no question of influence, and to have that once a year. It is also the practice of the external auditor to meet with the president once a year to review in private his concerns about the integrity of the

systems of the university, including matters of a rather broad mandate. I have had my first such experience with the auditor where he does it with no vice-president there, no one else there, but simply tells me, "President, these are the matters on which I believe you need to attend over the next 12 months and I will be reporting back to you in 12 months as to whether you have."

Both of those experiences, dealing with the audit committee with no one including myself there and then dealing with myself with none of my colleagues there, are I think very important mechanisms, constantly looking for ways to enhance the integrity of our system.

**Mrs Fawcett:** I really want to say that this has been a pleasure to be on this committee and listen to the testimony of the three heads of the universities. Certainly there are problems out there. Definitely we want to keep our competitive edge. It does seem to be getting rather dull, and we want to finely hone it.

Getting back to the funding and the way that the province funds, the testimony certainly points to the fact that there are discrepancies in this funding weight, whether it is students or whether it is subjects, and how some universities seem to be averaging the weights for different kinds of subjects and it is rather confusing.

One question: I wondered who it is that decides on that weight. Just basically, it would seem that universities are underfunded, yet I do not know where the money is going to come from. But is this system the right one? I would like your comments on that. Do you envision a better system, or is this the best way to do this?

I have to come back to the auditor concluding that, in the one area, the U of T did receive significantly more funding than the other universities, and the ministry had said that if you had used the blended weight possibly you would not have been overfunded. I am just wondering about your comments there.

**Mr Prichard:** Let me deal with the third question first because I think it is important for the record to repeat what the deputy has said with respect to weights used. It is the case that the auditor himself says: "On the whole, we found enrolment data reported to the ministry for the 1989 fiscal year were accurate within tolerable limits. The university also complied with established guidelines in all significant respects." The deputy has confirmed that. I believe it is important to us because again it is an issue of integrity that in every respect the reporting on the weights was in compliance with the ministry guidelines, was approved by the ministry, and that subsequently the ministry has further confirmed that our behaviour was proper.

We recognize that the auditor has said that he believes some of the ministry's guidelines were uneven and differences in those should be straightened out, and we have given our full support for that. Indeed, already, effective 1 November 1990, our enrolment report is now in accordance with the new regulations, which have been established system-wide. But I do want to record that there was no claiming of enrolment by the University of Toronto that was at variance with the ministry guidelines applicable to the University of Toronto.



Furthermore, I think it is important on this point to report what the Ontario Council on University Affairs, which is your independent advisory agency, not the University of Toronto, has reported on this question: Did the University of Toronto, over the relevant period of the last 10 years, receive a disproportionate share of funding as a result of the ministry having different guidelines in place for different universities? The unequivocal answer is no on that question from the OCUA's report on this question.

The report, for the record, being "the study of differentiation between honours and general programs in arts and science," figure 1 from that report graphically describes OCUA's position that if there was any disproportionate sharing, the University of Toronto lost rather than gained from the sharing as a result of the blended weight. I would be happy to provide you with the full tables and the documentation of that position. I do want to be clear that all claims were consistent with the operating manual and, to the extent that there was any disproportionate share, it was not to our benefit.

On the earlier questions, you asked a very important question, in my view. Is the current enrolment-driven funding mechanism the most appropriate? My answer to that would be no, if it is taken as: Is enrolment funding, as the sole basis for distribution among universities, an appropriate mechanism? I would say no. I think it is insensitive to the range of tasks that different universities undertake, the different government purposes which are pursued.

My own view is that some of the envelope funding which is distributed on grounds other than enrolment, for example, research intensity of the university, is entirely appropriate, and I endorse that differential basis because it is more likely to enhance the diversity of the system by recognizing that not all universities are alike, they have different mandates and so different bases. The University of Toronto would support some disengagement of enrolment from distribution reflecting the multiple purposes of the universities rather than the sole purpose, which is counting students.

On the question of who decides on the weighting, the Ministry of Colleges and Universities decides, and the minister, on—

**Mrs Fawcett:** Do you have input to that at all?

**Mr Prichard:** The OCUA often holds hearings to which we make submissions, but the decisions are the government's, not ours. On the final question of who pays, I refer you to my testimony last time, suggesting that the public purse cannot pay it all and we need to have a sharing of the burden of a plan of recovery for Ontario's universities.

**Mrs Fawcett:** Just as one specific one, because there was quite a thing on the commerce programs in the auditor's report, I just wondered: Can a first-year student enrol in commerce and then be counted as a commerce student, or is your first year of commerce really like general arts and then you go in?

**The Chair:** I think the objection was that they said they were using pre-commerce as a call for commerce.

**Mr Prichard:** A student in first year at the University of Toronto cannot be "in" commerce, in the narrow sense of that word, that is, the formal "program." The admit-to-program decision is taken the end of the first year and the beginning of the second year, so in a narrow sense, the student cannot be "in" commerce.

In a slightly broader sense—is the student engaged in a four-year program leading to the bachelor of commerce?—the answer is yes, in that the student must in first year take courses that are consistent with the four-year requirements for commerce. The ministry's test, as you know, is: Is the student behaving in a manner consistent with being a commerce student, that is, in terms of the courses chosen to be on the four-year course? So the answer to the question of classification is: Is the student taking a program which is a necessity in order to complete the program, once admitted to the program in commerce and then complete it? Is the student taking that set of courses? If so, that student is classified as, in effect, pre-commerce because it is part of the integrated, four-year requirement.

1540

I should also say, for the four-year requirement of courses—again, it will not surprise you, I happen to have the information in front of me—in terms of the percentage of courses required for a student in commerce at the University of Toronto over four years, we are well above the provincial average of the commerce program. Actually, we are well above the provincial average for the commerce content of the four years.

**Mrs Fawcett:** And some of that content would be in the first year.

**Mr Prichard:** Some of the content is in effect in the first year, but we also, in our commerce degree, require students to take 23 courses, not just 20, the usual four-year degree, and three of those courses are not funded by MCU, because they are in addition to the 20-credit limit. We add three more on in the last three years so the student has 23 courses to get the four-year degree in our commerce at our university.

**Mr O'Connor:** This has been a very enlightening week, as was mentioned earlier, having so many learned people talking to us all at once. It is a remarkable change from my previous life, as some of my predecessors have mentioned. But one thing confuses me a little bit. As we try to respond to the audit and what not, something that bothers me is the complexity of this manual for the basic income units, the allowance of the envelopes that might not—perhaps you are not getting the best value for the dollar, because we are responsible and that is what the auditor is trying to do, put some weight on that value. Perhaps you could respond to whether you think we are getting the best value with this system. This system, I know, has just been updated, but perhaps it needs to go beyond the update and needs to be completely revamped.

**Mr Prichard:** With the permission of the Chair, I would like to not answer that question now, because I am six months into this job. One thing that distinguishes you, sir, from me is that you have actually held that manual in your hand and I never have.



**Mrs Fawcett:** We can give you a copy.

**Mr Prichard:** If you would permit me a week to prepare a letter responding to that question and submit it to the clerk, that might be a more informed answer than I could give you today.

**Mr O'Connor:** The second part to that question, then, would be the economy of scale. Class sizes were mentioned earlier, that the smaller universities, because of their mandate and the way they operate through their bylaws or constitutions, have smaller class sizes. If all the students are getting funded in the same way through the guidelines set out by the ministry, yet the size of the classrooms is much larger and we have 1,000 students receiving funding as opposed to 50 students receiving the funding, perhaps you could enlighten me as to the economy of scale, that there is not some way we can approach this. The public expects us to respond, and I think you as well, so perhaps we can try to address this a little bit.

**Mr Prichard:** There are two distinctive differences. The first distinctive difference that is permitted in the large university like the University of Toronto is reflected in the breadth of programs available and possible because of the size of the undergraduate body, the breadth of disciplines represented across the university. Enrolment in those disciplines will vary quite sharply depending on current interest and current pursuits; some disciplines are more popular for a number of years and then others will become more popular as others decline. As you know, we are desperately trying to increase the relative science enrolment. The science disciplines are relatively underenrolled, the social sciences and humanities overenrolled. What is possible in the large university that is not as possible in the small is that breadth of representation of disciplines and, within disciplines, the breadth of representation of subdisciplines within the field.

The second distinctive feature which distinguishes the smaller universities from the large relates to the nature of the research enterprise. This relates back to my earlier question about how we fund universities. We fund universities basically on enrolment. The expenditure patterns of universities are driven by both the teaching and the research responsibilities. You can look at universities from the point of view of how research-intensive they are, that is, how much research per faculty member is taking place, and it is the costs associated with that research—research is expensive to undertake and the grants received for research from the federal granting councils do not meet the full costs of doing the research, so the universities that have the large research facilities, the laboratories, the health science centres, have to invest in those in order to provide an infrastructure within which we then receive research grants, centres of excellence awards and the like. That is the second aspect of why a small, less research-intensive university is different from the large.

The consequence of that, though, in the context of our breadth of curriculum, is that there are some classes that are very large and some classes that are very small rather than all being of an average. If they were of an average, the average would be too high because of the relative dis-

repair of the faculty-student ratio that has occurred with the growth of enrolment.

**Mr O'Connor:** Do you believe it could be possible or should even be possible, given the broad diversity of the 22 universities, that there could be a manual such as this devised to try to be equal in its funding for individuals in the enrolment process, so that we are not excluding some people from maybe some of the diversity that is allowed at different universities?

**Mr Prichard:** I think the key is to link the funding support to the mission of the university and to ensure that the missions of the different universities are different, meeting distinctive needs, and to ask, ideally, what support is necessary to meet that mission effectively. It costs different amounts to meet different sorts of missions, so equality of outcome does not necessarily mean equality of investment. It costs much more to educate a medical student than it does to educate a law student. It costs probably four or five times as much to educate a medical student as it does a law student. It costs much more to educate a science student than it does an arts and science student. It is different.

So equality of opportunity, yes, but that will not lead you to equality of funding per student because of the vast differences of programs and the cost of delivering those programs. I would be happy, again, in the context of the response to your first question about the need for redress of the manual, to try to respond to that.

I should say that in all these discussions of this fall of funding of the universities, certainly I have tried to refrain and I think most of my colleagues have tried to refrain from intensive disagreements among ourselves about the allocation within the pool of funds available, because I think there is such common ground among the minister, the Premier and the other parties that the pool itself is inadequate. It is not a very healthy thing to do, with each university struggling as much as they are struggling now, to spend our time intensively on these distributional issues without first attending to the need for a plan of recovery.

In the context of a plan of recovery, to take seriously the distributional issues strikes me as making sense, but in the current context of the damage we are doing at each university through the attempts to respond to the deficits we have, I am not very interested in enhancing our situation at the expense of Trent or the expense of Guelph. I do not find it a very palatable exercise, even if I could persuade you of the advantages of that redistribution at present. Given the current financial circumstances, I do not think that is a very healthy line of pursuit of public policy. I would rather focus on getting in place a plan of recovery which includes within it wise, prudent distributional mechanisms to make sure the funds are being spent as effectively as possible among the institutions.

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**Mr O'Connor:** I can appreciate that. A similar response has been given to us earlier on questions like that. I looked forward to your response to the first part and I think it will be very useful to us as a committee as we decide and make a recommendation.



**Mr Prichard:** The precise question is, would the University of Toronto welcome an overhaul of the yellow book? That is the precise question?

**Mr O'Connor:** Yes, precisely and—

**Mr Prichard:** One of my colleagues is writing it down.

**Mr O'Connor:** —I think the envelopes that are special to your university, to the universities, in trying to make it as fair and equitable as possible.

**Ms Haeck:** Dr Prichard, it is nice to see you again.

**Mr Prichard:** Thank you. I should correct that. I am not a doctor. My father was a doctor. I am not. I go by Robert.

**Ms Haeck:** I was looking at your CV here. Anyhow, we will not get into your CV, by which I understand from some of your biography you have done great work.

I do want to turn to page 3 of your submission today, and possibly Dr McGavin can also illuminate me on a couple of probably more practical points as opposed to some of the discussion that has taken place earlier this afternoon. My librarian hat is going on at the moment. Item 6 refers to libraries. I understand you have one library out of the 60 that you have under the aegis of the University of Toronto that very regularly goes through and does an inventory of its books. In light of the auditor's comments, is there a way of ascertaining if the other libraries have a regular inventory policy in place and if in fact they anticipate following through on inventorying their rather large collections?

**Mr Prichard:** To give you a reliable answer to that, again subject to the permission of the Chair, I would like to respond to that question in writing to make sure I have the views of the chief librarian accurately recorded before I do so. She is a superb, internationally respected librarian. I would like to make sure I accurately reflect her plans with respect to the inventory arrangement and her views on what the tradeoffs are within it, if that would be all right.

**Ms Haeck:** That is fine. While it is not mentioned here, I do know from my other life that you had a rather large computer project under way. Are you any closer to getting the computerization process, the automation of your library systems, further along the road? I realize the retrospective conversion of that collection provided a rather substantial obstacle, which I think every librarian out there would fully comprehend.

**Mr Prichard:** This is a good-news story. We are in pretty good shape now on the automation of the catalogue and of the acquisitions system. I happen to have spent a big chunk of my own life in the last three or four years in this area, which is why I can answer with more confidence on this. It has really been quite successful and is quite well advanced now. It takes us back to the beginning, the early discussions with Mr Cousens. The principal source of financial support for the last three years has been what is called the president's fund, which is the funds contributed to the university by individual donors for undesignated purposes to be used at the discretion of the president. My

predecessor for the past three years made the number one claim on that fund further investments to complete the central library recon project and automation.

With that private support, combined with the base support that continues in the library, we are in quite good shape on that front. The challenge, of course, is to extend it out to all the smaller divisional libraries and fully on to the three campuses. We have not completed that task yet. There is a good deal ahead, but we have broken the back of it and we have now got a degree of accessibility to the collection both on and off campus by remote terminal from other users. Indeed I would not be surprised if there is a terminal in this building somewhere. I do not know the answer to that, but it is now in principle doable to be able to search the catalogue from distant locations.

**Ms Haeck:** So one can say that you are definitely actively working on making sure that you have a better handle on what is in your substantial library collection.

**Mr Prichard:** Yes, but that does not answer your specific inventory question, which is a different one.

**Ms Haeck:** No, I fully appreciate that. Item 2 on page 3, you mentioned a tendering policy and you are now following governing council requirements. Do you have sort of a base level at which it has to be referred to the governing council? When I was on another board, we dealt only with items of value of \$7,000 and up. At what level do you actually, at the governing council, look at expenditures on tendering or purchasing?

**Mr Prichard:** Let me get you a precise answer from the person who is what we call the senior assessor to the business board, which approves all capital expenditures.

**Ms Haeck:** Sure.

**Mr Prichard:** This is Richard Criddle, who is the vice-president of administration and who serves the business board on capital matters. What is the minimum capital expenditure that must come before the business board, Richard?

**Mr Criddle:** There is no minimum. It depends entirely upon the nature of the expenditures. In the category of renovation expenditures, for example, they may be as low as \$30,000 and they may be as high as \$300,000. For capital projects which go through, there is again no minimum amount which the administration is allowed to spend freely. All of those expenditures go before the business board for approval before the contracts are let.

**Ms Haeck:** The reason I asked is that in fact under some of his comments relating to purchase and payment practices, the base amount that he mentions is \$1,000. Do you look at anything that is of value of \$1,000?

**Mr Criddle:** If I recall, the auditor's concern had to do with the disposition of equipment or the safeguarding of equipment and in their tests they selected items in excess of \$1,000. It was those ones they could not find, rather than a contract process. The question of policy on contract tendering and the new policy that was passed by governing council had to do with a former requirement that those solicitations be advertised in the newspaper



rather than distributed to competitive firms. That qualification was removed in 1989 at about the time of the audit.

**Ms Haeck:** From the tendering point, but from a purchasing point as well, do you look at what items are going to be purchased?

**Mr Criddle:** Yes. That does not come to the board on the purchasing side of purchasing of goods and services. There is a dollar limit above which those items are to be tendered, and on contracts the dollar limit for tendering is \$125,000. Those having been tendered will not come back for approval. As the budget went through for the project, that total budget was approved on a project by project basis without really any minimum dollar limit.

**Mr Daigeler:** Thank you very much, Mr Chairman, for permitting me one more question. Coming back to the conclusions that the Provincial Auditor has drawn from this three-year enterprise, he is saying on the one hand that the external auditors of the universities have no mandate to look at questions of due regard, of economy, efficiency or effectiveness, and also that the Provincial Auditor himself has no mandate either to or was not allowed to look at these questions. On the basis of those two observations, he concludes, and I am quoting from him, "We are of the opinion that accountability for the significant amount of funding provided to Ontario universities remains inadequate."

Based on this conclusion, while he has not said so specifically, I think he probably will be asking that either the ministry or the Provincial Auditor be given a wider mandate to investigate these questions of what he terms economy, efficiency and effectiveness.

Would you, as the University of Toronto, resist an expansion of that kind of mandate if it were to come either from the ministry or from the Provincial Auditor?

**Mr Prichard:** It is not my view that it would be likely to enhance the accountability of the university. I would refer you to my answer to Mrs Cunningham as to the more likely directions to get an emphasis on efficiency and ef-

fectiveness and performance and the requisite monitoring of that performance. I would defer to my comments I made earlier along that line.

**The Chair:** Any other questions? Once again, I say that is not an invitation.

All right, fine. Thank you very much. We appreciate your taking time out from running the university. It is a large one and certainly I think it is well known around the world. It certainly can compete with many of the universities in the United States, and we hope that will continue to be the case. Thank you for taking time out to come before us, and we wish you well in your new role as president.

I have been sitting here trying to figure out how old you are, but I will not ask you, because I think I have passed that—

**Dr McGavin:** He is getting older.

**The Chair:** I have probably doubled that somewhere along the line. We appreciate your coming forward.

**Mr Prichard:** Thank you very much for the courteous hearing. My guess is it is the chairman for whom I work who should have the last word.

**Dr McGavin:** Thank you so much. We both have a concern about education, on a daily basis. We want to work with the public representatives in every way we can to make sure that Ontario has a product that it is very, very proud of, that is competitive. This process does help and we were very pleased to be here today.

**The Chair:** Tomorrow morning we have a discussion. The ministry will be here, and perhaps I might inquire as to whether the deputy—

**Clerk of the Committee:** Dr Benson will be here.

**The Chair:** Dr Benson will be here representing the ministry tomorrow, and then we will also be writing our report. Sharpen your pencils and think about it overnight and hopefully we can deal with that expeditiously. We stand adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 1601.

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## STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Le jeudi 7 février 1991

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Office of the  
Provincial Auditor, 1990

### Comité permanent des comptes publics

Rapport annuel de 1990  
Bureau du vérificateur provincial

Chair: Robert V. Callahan  
Clerk: Tannis Manikel

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 7 February 1991

The committee met at 1005 in room 228.

### ANNUAL REPORT, OFFICE OF THE PROVINCIAL AUDITOR, 1990

Resuming consideration of the 1990 annual report of the Office of the Provincial Auditor.

### MINISTRY OF COLLEGES AND UNIVERSITIES

**The Chair:** This morning we have the ministry back. We have Mr MacKay. We also have Mr Lyon.

**Clerk of the Committee:** That is Dr Benson.

**The Chair:** Dr Benson is in the middle, okay.

**Mr Cousens:** What is wrong with the Chair now?

**The Chair:** I do not know. My motor is not going yet. We have some questions and then we are going to try to write a report. Mrs Poole.

**Ms Poole:** Thank you, Mr Chair, and welcome back to the committee, or welcome to the committee, whatever the case may be.

I had a few questions about the formula you used with reference to enrolment and entitlement. When we had a presentation from Trent University yesterday, we were talking about the situation in 1968 where special criteria were adopted to take into account that they did not have an honours program at Trent University. There were criteria approved to make up for this situation.

What I did not really realize until that moment was that there are apparently a number of other universities in Ontario in the same situation, where they do not have a specific honours program and where they specialize more in the undergraduate arts and science programs. Could you tell us what universities in Ontario right now do not have an honours program and therefore have different criteria that they use for establishing their entitlement?

**Mr MacKay:** In the documents we produced for the committee yesterday, which I believe have been distributed to the members, there is a document entitled Ontario Council on University Affairs: Study of the Differentiation Between Honours and General Programs in Arts and Science, Interim Report. On page 14 of that document, OCUA specifically addressed that subject. That was one of the things the ministry asked OCUA to delve into after the Trent audit.

This finding suggests something a little bit different than what was suggested to the committee yesterday, according to the OCUA study. There were only two institutions that only used marks to differentiate honours students. I see right at the bottom of page 14 it states, "The remaining two institutions used only the average marks of students as a basis for differentiating between honours and general students." Other universities asked students to declare whether they were in an honours or general program or had other screens to determine whether students were in

fact studying at an honours level. The short answer to your question is that as far as I know, Brock University is the other university besides Trent that used only marks to distinguish honours from general for reporting purposes.

**Ms Poole:** Maybe you could be a little indulgent, since the documents reached the committee members just before we began this morning, so we have not had a chance to actually peruse them. I would gather from your comments that while there are two, Trent and Brock, which use marks as a differentiation, there are other universities which do not have honours programs that use another system. Could you confirm whether that is so?

**Mr MacKay:** No. It is my understanding that except for Brock and Trent, and of course the University of Toronto with its unique program, all the other institutions do in fact have differentiated honours program study. It is only Brock and Trent that did not differentiate in that sense. Those were the two institutions that in 1968 were given permission to use marks to differentiate the students for reporting purposes.

**Ms Poole:** So Trent, Brock and U of T are the only three universities which vary.

**Mr MacKay:** That is right; which have had a different arrangement than the norm.

**Ms Poole:** Okay. Mr Chair, I had two other questions but I do not know whether you want me to continue.

**The Chair:** Go ahead. We will go to Mr Cousens after that.

**Ms Poole:** Okay.

**The Chair:** Maybe what we will do, in order to allow us enough time to complete our report, with the concurrence of the committee, is restrict it to one a caucus, or three questions spread among the caucus, or one person asking three questions. How is that? Do you have any more than that?

**Mr Cousens:** Then we get on with the report.

**Ms Poole:** Would you prefer just to divide the time among three caucuses?

**The Chair:** We could do that, actually. Maybe that is a better way. It is now just about a quarter after 10, so if we went till 11 that would give us an hour to do the report. I think that is probably ample. That would give us 45 minutes, so 15 minutes a caucus. You have already had a few, Ms Poole, so we will give you 10, 15 and 15.

**Ms Poole:** This will encourage each caucus member to be very brief. We were talking about tuition fees the last time you were with us and you mentioned that although technically the universities have the autonomy to set their own tuition fees, the ministry has a lever to ensure that they comply with the ministry's wishes. In other words, if they do not set the tuition fees that you want, they do not



get their money. Are there other areas where technically the university has autonomy, but where the ministry might actually be able to use money as a lever to ensure that guidelines are adhered to?

**Mr MacKay:** Another example would be the fact that a university has autonomy to introduce any new program that it might wish to introduce, but for new programs the government reserves the right to decide whether they should be counted for funding purposes. Once again it is a matter of the government deciding what it will pay for, while the universities of course have the freedom to decide what programs they will offer. I think those are the only two real examples. It is the decision of what the government will consider for operating grant purposes

**Ms Poole:** So you cannot, off the top of your head, think of any other scenario where you are indeed forcing the universities to bend to the will of the ministry?

**Mr MacKay:** Certainly there are our various reporting requirements associated with the enrolment reports and the financial reports that are submitted annually. As we discussed earlier this week, we have targeted grant programs where we basically inform the institutions that they must spend these dollars on certain eligible items or they do not receive the grant, or we would reduce their grants.

**Dr Benson:** If I could just add a point, I think "forcing" is too strong a term to use. We would encourage certain types of behaviour rather than force it, in the sense that—

**The Chair:** It is like filing your income tax.

**Dr Benson:** —the institutions will set their tuition fee levels. There is an offsetting revenue provision, so it is not necessarily of any advantage to them to do so, but they are fully capable of taking that action. Similarly with the programs, the institutions are in a position to mount whatever programs they deem appropriate with whatever funding arrangements they deem appropriate. It is just that there will be certain types of programs that we will fund. So I do not think it is forcing them. It is simply recognizing that certain things are public priorities and they are funded through the grant mechanism.

**Ms Poole:** Okay. One final question, and it is a matter of follow-up: We have noticed instances over the past couple of days where, for instance, with the University of Guelph, I believe it was 1977 that it was granted the right to treat its enrolment differently because of the fact it was on a semester system. However, it was not until the auditor's report that it came out that the 1977 provision was for a fixed period of time, yet nobody ever noticed, in 11 years or whatever, that they had not adhered to the fact that the deadline had been exceeded. Could you comment on what kind of follow-up system you have in place? When you notify a university that there is a procedure to be followed for a set period of time, what type of follow-up procedure do you have to ensure that they in fact are adhering to your rules?

**Mr MacKay:** The Guelph situation pointed out to us that we had no way of knowing how many of these special approvals or special arrangements have been made over

time, with changes in personnel and with old files being sent out of the ministry and so on. So the first thing we did was indicate to all the institutions that any special provisions that differed from those set out in the manual for application to all institutions were waived or eliminated, no longer in effect, and that institutions would have to reapply for such special provisions so that we would have a record of them.

We also indicated to them that they would have to keep on file, for their external auditors, copies of those special provisions. At the same time we informed all the external auditors that as far as we were concerned, there were no special arrangements or special deals that were contrary to the provisions of the operating grants manual. I think that brought us up to date and we now have a system for including any of those special provisions right into the manual, so we have one set of records and that is it. There are no special rules or other kinds of arrangements for any individual institution.

**Ms Poole:** Okay. Now that you know what the special arrangements are, do you have a follow-up system in place to ensure that if there is variance from them or if the period expires the universities are adhering to the changes?

**Mr MacKay:** I believe we do in our instructions to the external auditors. We make it explicit to them that they are to look at those special approvals or special provisions and make sure they are being adhered to and to advise us if they are not.

**Ms Poole:** So would you send out a letter to that external auditor?

**Mr MacKay:** We corresponded with all the external auditors, as well as all the universities.

**Ms Poole:** But was this a one-time-only thing or are you corresponding with them every year when you say, "I want you to look at the special provisions," because external auditors change?

**Mr MacKay:** That is now a permanent part of our directions to them that we do send out each year, yes.

**Ms Poole:** Good. My colleagues might have some questions.

**Mr Daigeler:** I had one actually on some of the documents that you gave us today; I cannot remember. I asked regarding the other category for universities versus colleges upgrading income. I look at this now and I see that a certain amount, as you had indicated, is coming from the federal government. However, what you describe here again for the colleges as "Other"—I presume this should read "Contract" instead of "Construct"—under that category, it is \$175 million interest, donations and, I guess, contract work. That in itself, that \$175 million, is still more than what is indicated for the universities' income as "Other."

"Other" is only \$109 million for the universities. Before you had indicated that the difference between colleges and universities is mostly that the federal government is providing more money. But even taking away the federal contribution for the colleges, the other operating income is significantly higher than what the universities are seeing.

Where is that coming from? Why would it be that the colleges seem to be able to get more from other sources for their operating income?

**Mr MacKay:** These particular figures that we are using in this material for the university side are the operating funds, which excludes the money that comes from the federal government for sponsored research. That is accounted for under different funds or restricted funds. What we have tried to represent in these graphs are the operating funds that are used for instruction, etc. The reason there is more money on the college side is because of the federal money that goes for training or instruction.

**Mr Daigeler:** I know, but deducting that because you write down here, "Skills Training-Federal," that would be \$147 million, right?

**Dr Benson:** There is one other item.

**Mr Hope:** What page is he on?

**Mr Daigeler:** There is no number on the page, but it is "College Revenues by Source."

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**Dr Benson:** It would also be the "Skills Training-Ontario" through the Ministry of Skills Development and/or Ministry of Education and Ministry of Labour. So it would be \$140 million plus the \$147 million, which would be \$287 million.

**Mr Daigeler:** That is right, but then you still have at the bottom \$175 million.

**Dr Benson:** Yes.

**Mr Daigeler:** That in itself is higher than what is listed for the universities as the total other amount, which is listed as \$109 million.

**Dr Benson:** The \$175 million would include significant contractual moneys in that the colleges would mount a significant number of programs on a fee-for-service basis.

**Mr Daigeler:** Okay, now we are getting there. Are you saying then that the universities do not make use of that source of income?

**Dr Benson:** I am sure they do, but not to the same extent. The colleges, as you are aware, have about 9 or 10 part-time students for every full-time student. A lot of it is on a cost-recovery basis, whether it is management, training programs for the real estate bureau or whatever. There is a series of programs that are run, so it is a major part of the operation. That does happen with the universities, obviously, but I do not think it happens to the same degree. So that would be one major element to describe that difference. We would have to do a more complete analysis, but we certainly could if you wish.

**The Chair:** I think we are going to have to move on. That is the allocation of time for each caucus.

**Mr Cousens:** I appreciate the senior levels coming back to us this morning just to clear up some things before we come out with our thoughts about our report. There are two areas I just want to review with you if I may. I want to say for the record that I think the process of the Provincial Auditor doing an analysis the way he has has opened up

my thinking in a way. I think the public deserves to have that kind of research done. I want to commend the auditor publicly for all the work he has done, and the way in which it has allowed us to open up the subject further. We could not have done without the research that has been done in the first place.

There are two things that I want to touch on and to bring forward when we are doing our report. I am unforgiving of the sweetheart deal that was done at Trent University for the outgoing president. It worked out that it was \$680,000. When you ask for the accounting of those numbers by the staff and you look at it, they are able to come along and rationalize it down to \$290,000, but that did not include the payout for the mortgage.

I do not care how people add it up, that deal stinks and it stinks badly. It would not have become public, as we found out through this exercise, had it not been for the Provincial Auditor's review of the situation, and it is the kind of thing that to me justifies public officials such as ourselves from all parties saying, "Hey, there is something that went on there."

There is an incident that took place at the University of Guelph. There could be an extended conversation about the deal for Mr Segal and his housing in Toronto and his commuting to Guelph, and there is a whole series of events around that one. I am talking about another kind of deal. One is a golden handshake and another is a sweetheart deal.

The other kind of thing is where within the university environment, we have seen in the University of Guelph, and the auditor's report, tendering procedures that are certainly not in line with what Management Board would allow in the province of Ontario. Not clean; not tight; not fair. I am asking your guidance before I start going in camera and saying this, so I am saying it publicly now.

Is there a way in which the ministry, top down, can come along and start giving some guidelines to the boards of governors and to the trustees of the universities or is there a way through the Ontario Council on University Affairs? This might well be the way in which it is done, in which some kind of direction could be made through your ministry or through our committee that says, "Can you not begin to work out some way in which you can address and respond to the kind of concern raised in the auditor's statement?" I am not trying to say that you have done it all. I do not even want to look for more. We do not have the time for that. But could you give me some guidance on how I could come forward with a recommendation on that?

**Dr Benson:** There are a number of models available. I think we all would like to see institutions and the ministry et al behave in as responsible a fashion as possible. In that sense we welcome the Provincial Auditor and I think he has been significantly value added as we look at this.

I do not have a specific recommendation. I think the ministry could be charged with the responsibility of developing some guidelines in conjunction with the institutions or maybe be requested to ensure that the institutions themselves develop appropriate guidelines either collectively or individually. There are a number of options. I think we are quite prepared to do whatever is necessary, but the model



itself—I do not know. Because of the nature of the institutions, my inclination would be to work it on a voluntary basis with the governors to come up with some type of normative models that could be applied individually, based on particular circumstances.

At this point, it is difficult without looking at it in detail to figure out what the best models are. It may be something that we, of course, could work on with the Provincial Auditor. Collectively, maybe the ministry and the auditor working with the institutions could come up with the normative models that they could then apply to ensure that things happen in such a way that they are objective, they are thorough, they are comprehensive and work in the best interests of our public institutions.

**Mr Cousens:** That is why it is so difficult when you are a politician and you do not want to upset the equilibrium. It is a delicate balance that is there, but you also know that the public good is not served unless some follow-up action is taken to the kind of findings that we are now making. It is in our hands, and I would feel much better if we were able to come out with a future direction that says, “Hey, there’s a way of monitoring and controlling this.”

**Dr Benson:** There are ways and they are done differently with each institution. For example, in the college system, the colleges are carrying out what we refer to as operation reviews. Again, there are some guidelines that are established, that were worked out collectively with the institutions, and the institutions then carry out an operation with you. There are different models. That one is appropriate for the colleges because they are crown agents. It may be that we need a different model because of the legal status of the universities, but I think there are many models that would meet the objectives and I think it would be supportive certainly of working in that direction.

**Mr Cousens:** My view is that I do not want to come up with the model. I guess I will go back to more of a policy development stage in which we should be as elected officials, and that is to find a way in which you come back with a method of resolving it for the future. Have I got a couple of minutes left, Mr Chairman?

**The Chair:** Yes, you have about nine minutes.

**Mr Cousens:** I will be finished in lots of time. I am concerned with the acts of incorporation by the different universities. Probably the one that stands out best, that explains my problem, is in a letter from the deputy minister, Dr Brzustowski, to the auditor.

He said in a letter of 29 September 1988: “The matters of plant assets, purchasing, payment and employment benefits and board approval procedures are strictly within the purview of the university, under the Trent University Act,” and then, “It is accordingly appropriate that Trent University respond directly to you concerning these matters.” We were able to have our auditor go into Trent and to the different universities where there were parameters around which he could—and she; there were women involved as well—develop an understanding of what was going on at those institutions.

But when we talked yesterday to the University of Toronto, it became very clear to me that the areas in which

the auditor could assess financial responsibility covered only about 60% of what the institution was all about. There were boundaries built for other areas which really were the prerogative totally of the university. That had to do with legacies and other things that come to them. I am not thrilled about that. I do not want to see where the government comes in and starts robbing assets.

1030

I want to see an equal funding base across the province so that we do treat students in universities equally. That is why we brought in the regional educational system and I have been part of that. I was chairman of the school board for a period of time and I know the value of equality. But I do not think you have a true public audit of an institution unless it is full and complete without boundaries, because at that point when more than 50% of the funding of that institution comes from the public dollars, I believe there should be a more wide-open freedom and scope for the auditor to review what is going on within that institution.

The institution may have auditors, and boy, they are very quick to show all the different audit committees, but that causes alarm signals to go off in my mind as well. I feel far better when I have got the Provincial Auditor as the one who has a complete review of a complete institution without the boundaries we are in. I have a feeling that the auditor—you can confirm or deny—really only covers about 60% of the financial assets and workings of the University of Toronto. It may have varied with some of the others. Because Trent does not have those assets. What is your response to my desire to see a more complete audit?

**Dr Benson:** I will make an attempt to respond to that. It is our perception that we have a responsibility to address those items that are in the public domain, and that refers basically to the capital and operating grants to the institutions and the other policies related to that in terms of the program dimensions. The other elements are in the private domain and as a ministry, it is effectively beyond our jurisdiction.

**Mr Cousens:** “Jurisdiction.” You mean the law does not allow you to go beyond that? Is that what you are saying? I did not understand.

**Dr Benson:** I use “jurisdiction” in a non-legal sense.

**The Chair:** Can I just follow up on your question and the answer? Let’s take another ministry. If somebody applied for a small business development loan and had assets of a private nature that perhaps would not allow him to have that loan, you would not feel there would be a necessity of looking at both of those aspects of financing? I find that incredible. The picture is not complete, I would suggest, without seeing everything.

**Dr Benson:** We have institutions that are creatures of the Legislature and we can build into that legislation whatever elements we deem to be appropriate, including whatever accountability functions, but at this point in time, the way we are structured, the responsibility of the Ministry of Colleges and Universities relates to the capital operating grants, and we think that is quite appropriate. Other private enterprises of the universities, which are possible under their acts, are not within our jurisdiction in that sense. Whether the act needs to be amended to address those is



another issue, but at this time it is not within our jurisdiction.

**The Chair:** How would you determine the needs of the university and how well the needs of the students were being served if you did not look at the overall—I agree with you that you should not have any control over their private assets, that is private money, but certainly you have to know about it to be able to determine whether the grants that you are giving them are going to be adequate and are going to serve the needs of the university students to the best of their ability.

**Dr Benson:** We certainly do require an understanding of the operations of the institution, and it is provided to us, so that we can make a determination in respect to needs and the resources available, particularly for example, in a capital campaign. We have an arrangement whereby a certain proportion is funded through the public sector and another proportion is private. Obviously, through that, we have to have an understanding of the financial capacity of the institution, the types of campaigns and a number of other variables. We do have that understanding, and it is provided generally on a voluntary basis from the institutions to the ministry. The degree to which we required anything in order to determine our operating or capital support would be provided as well. We have that.

**The Chair:** Sorry, Mr Cousens, I did not mean to interrupt.

**Mr Cousens:** I think you helped me out and I appreciate it.

I am not pleased at the limitations that have been placed on the Provincial Auditor through this and would like to find ways in which his staff are given a greater scope in order to review the whole scene. I think there is, and the way you asked the question, it helps to show how it does all interact. I will certainly leave it for now. It is something I would like to see us come back to. If you are able to come back with some suggestions to us, I personally would be interested in them and I am sure the committee would as well.

**Mr Cooper:** There is an article here from the Toronto Star of 21 December and it says that the U of T plans on raising tuition fees by \$550 and that this has to be approved by the government. Is this how the guidelines are set up?

**Mr MacKay:** Mr Chairman, if I might respond to that particular question, first of all, it is my understanding that the article was not entirely accurate. The governing council of the University of Toronto endorsed the Council of Ontario Universities' recovery plan, which recommended tuition fee increases of that magnitude. The university did not actually decide to implement those tuition fee increases on its own and there was some misunderstanding in terms of what the governing council motion was meant to do.

**Mr Cooper:** All right. The question is, how are the guidelines set up for tuition fees from the ministry?

**Mr MacKay:** Normally, when the ministry announces the operating grant increase for a particular fiscal year, we also announce what the allowable tuition fee increase for

that fiscal year will be. Frequently, the percentage increase is linked. If we were to announce a 5% increase in operating grants, we would also allow a 5% increase in tuition fees.

**Mr Cooper:** Okay. Now there is a 13% barrier where, if the universities do not go over it, there is no cutback in grants. Are there any universities right now that are over the 13%?

**Mr MacKay:** Not to my knowledge, no. In fact, I think I can state that quite affirmatively because we do get reports from them certifying that they are not charging over that maximum allowed.

**Mr Cooper:** If they did go over, how is the dollar reduction in comparison to the tuition? Is it dollar for dollar?

**Mr MacKay:** It is dollar for dollar. If they raise an extra \$50,000 in excess tuition fees, we would deduct their operating grant by \$50,000.

**Mr Cooper:** So they are accountable in that way.

**Mr MacKay:** In that sense, yes.

**Ms Haeck:** I have two questions for you. We have two Trenties on this committee. Mrs Poole and I are alumnae of Trent and both of us were somewhat concerned around the issue of the 1982 letter and agreement. There seems to be some discrepancy in the information that we have been given between things that you have said and what the university has said. What we are concerned about is, did in fact Trent lower its standards to meet those guidelines?

**Mr MacKay:** I do not think we can say whether Trent lowered its standards. What we certainly can say is that after they changed their marking scheme, there was a considerable increase in the number of students that they reported as honours.

**Ms Haeck:** This is after 1982?

**Mr MacKay:** If we look at the number of students or percentage of students reported as honours in 1981-82 and look again in 1982-83, 1983-84, 1984-85, we see a very significant increase.

**The Chair:** I think they also told us, in fairness—to my recollection anyway—that when all was said and done, they determined at the end of the process that in fact the percentage was fairly close to—I may be thinking of the wrong university, but I thought it was Trent—that it actually worked out that they were in the honours category. That is my recollection. So in fairness to Trent, even though it made an assessment—and I appreciate your answer was pretty political—I think in the final analysis, in fairness to Trent, if the statement it made is accurate, and I am prepared to accept that it is accurate, I think as we all are, it found that its assessment was correct, that the percentage of people who actually attained honours was what it had projected. I just thought I would throw that in because I do not think it is fair to leave Trent out there hanging on the wall.

1040

**Ms Haeck:** Basically, obviously being part of the alumni there—



**The Chair:** I appreciate that.

**Ms Haeck:** —I would like to make sure that they survive and continue and all those wonderful things, but obviously the practices do have to be examined.

Further to that, we heard yesterday from the University of Toronto as well and there were some questions raised around moving moneys from what were operating grants into restricted funds. We did not have a chance to get into that maybe as well as we might have, but what kind of ministry guidelines are there from moving surpluses in the operating funds into restricted funds?

**Mr MacKay:** Mr Chairman, there is not a specific guideline with respect to moving funds from one particular fund to another, however I do believe that the operating funds manual that we distributed to you does stipulate how university operating grants may be applied. In fact, we do it in a negative sense in that we explain what things they may not spend operating grants on. If I could just quote from that—

**The Chair:** What page are you reading from?

**Mr MacKay:** This is page 1 of the manual, under the heading “General,” the last paragraph: “The non-targeted university operating grants may be applied to any eligible university operating expenditure. Eligible expenditures include all operating expenditures, except those related to: (a) assisted/sponsored research, (b) principal and interest payments on capital indebtedness, (c) student aid, (d) ancillary enterprises, (e) capital projects.”

**Ms Haeck:** So in fact from your guidelines it is not inappropriate for the university to move that into a restricted fund.

**Mr MacKay:** That is correct.

**Ms Haeck:** When it is in a restricted fund and you know that it is there, does that in any way affect what kind of operating grants they might get in the coming year?

**Mr MacKay:** No, it has no effect.

**Ms Haeck:** May I ask why not?

**Mr MacKay:** Because the operating grants are calculated on the basis of the enrolment reports that we get, and enrolment counts in various years, and are not based on any assessment of the financial situation of the institution at any particular time.

**Ms Haeck:** I see. That puts an interesting perspective on that. So even if there was a very healthy restricted fund, they would continue to get funding based on their enrolment whether or not they had the option of dipping into those restricted funds to alleviate any supposed deficit.

**Mr MacKay:** That is correct.

**Dr Benson:** If I may add just one point in response to that, one would obviously look at the macro position, though, in determining the overall allocation for any given year, for whichever sector it was. So one would look at your annual deficits, your accumulated deficit, look at any surplus position of the institutions, and if the situation demonstrates that there were significant surpluses, that might very well affect the allocation that, in a macro sense, the government would make to that type of institution. So

in that sense, in a macro sense, it does. In a micro, for a particular institution, we do not look at it.

**Ms Haeck:** Okay. The University of Toronto was mentioned by the auditor in his documentation as having, in at least two years, surpluses—one, I believe, of \$32 million; the other of \$22 million. I believe the years were 1987, 1988, somewhere in that range. What evidence do you have that this kind of situation occurs across the system and what those surpluses are, where they are located? Are they also in restricted funds, and what is the amount? Do you have a handle on the amount that might be put aside for a rainy day?

**Mr MacKay:** We certainly receive from each institution on an annual basis a copy of its audited financial statements, which include all funds, not just the operating funds. So we do receive a complete picture of the financial state of each institution.

We also receive from the Council of Ontario Universities a very comprehensive report which compares the revenues and expenditures of each institution on a comparable basis for all funds. They clearly indicate where there are interfund transfers. We could certainly provide for the committee the latest annual report from the Committee of Finance Officers—Universities of Ontario.

I do not off the top of my head know exactly what the accumulated surplus or deficit situation for the institutions is, but we certainly could find that out readily.

**Ms Haeck:** I think that would provide rather an interesting perspective for all committee members.

**Mr Hope:** Dealing with the basic income units or the 2% allowance—and I guess 2% of what number adds up to big bucks if you are talking amount of students—it was mentioned something about 450 students being the 2%. This talked about money, and let me tell you, if we drive Highway 401 and the speed limit says 100 and we can get away with 110, we are going to drive at 110. I guess the 2% allowance—

**The Chair:** Is that an acknowledgement or an admission or what?

**Mr Hope:** No, no, no. I am just trying to point out an issue here. The allowance of that nature, 2% of the total, and you are talking about universities that have large enrolments, you are talking about big dollars; small enrolments, it is not so big. But I guess the 2% allowance does raise some questions in my head about that 2% issue. That was one of the main things that I just wanted to ask. The 2%, is it always above?

**Mr MacKay:** The 2% is an accounting term. I must admit I am not an auditor or an accountant, but my understanding is that when the external auditor certifies the enrolment audit which he presents to the deputy minister, he makes a statement to the fact that his sampling has been such that he is 95% certain that the enrolment total stated is within 2%, plus or minus, of the actual amount stated.

It is also my understanding that we could decrease that to 1%. We would want them 95% sure that the count was within 1% of the total given. What that would require would be a considerable increase in the amount of actual sampling that that auditor would have to undertake and it



would result in a considerable expense. That was in fact an option that we suggested to the Provincial Auditor and the universities and their external auditors when we conducted our review following up the Trent audit, and it was decided that this questionnaire approach that we have adopted to identify errors would be just as effective and cheaper than actually changing that 2% figure.

**Mr Hope:** The other question deals with the aspect of dealing with special projects; for instance, where you give a professor X dollars to conduct a survey or a study or something like that and he is currently being paid at a ratio to perform as a facilitator and the student has enrolled to that course by the facilitator. Most of them say, "Well, this professor is the one I want to instruct me," but if we are allowing allocations for projects or whatever to occur, how much actual quality time is actually being treated to that student who has paid? In my calculations, when I look at it, it is over \$5,000, according to the sheets in here, for tuition fees.

Are we really serving justice to the student that is perceived, instead of having a temporary teacher or professor in there, not actually getting that quality that he actually focused his attention on? I guess I raise some questions about that. What really takes place as far as the operations, the moneys and the grants that go towards developing research?

1050

**Mr MacKay:** I will try to respond to that. Certainly I think the amount of actual contact time that individual faculty members spend with their students probably varies within each institution, and I think on average varies across the system. I think that would probably be better addressed by some of the institutional representatives.

Certainly we know that some distinguished professors spend a great deal of their time engaged in research activities and relatively little of their time teaching. Other professors have a greater interest in teaching and spend more time in that contact. We have heard from the institutions that class sizes vary tremendously and we have heard the view that quality is not necessarily dependent on the size of the class.

**Mr O'Connor:** Would the university audits that are submitted to the ministry be quite comparable to the audits the Provincial Auditor does? The universities seem to think their external auditor coming in is quite sufficient, yet the findings of the provincial audit appear to be quite different. Perhaps the auditing that was done by the Provincial Auditor went into much more detail and maybe should be continued occasionally.

**Mr MacKay:** Certainly the reports that we received from the Provincial Auditor with respect to his inspection audits of these three institutions differed rather substantially from both the enrolment audits that we received from the external auditors and the audited financial statements, because the Provincial Auditor indicated in his letter to our former deputy that he, the Provincial Auditor, has a concern that the financial audits that we receive are simply an expression of an opinion as to whether the financial statements of the universities are fairly presented. I recall we had some discussion here yesterday with the University of

Toronto as to whether those kinds of audits could not be extended to value-for-money audits. We know that the Provincial Auditor has an opinion in that regard.

**Mr O'Connor:** So the audit by the Provincial Auditor is an audit that perhaps the universities should consider themselves for their external auditor to expand their mandate, or do you think that would be a recommendation that just places unnecessary financial drain on the assets of the university?

**Mr Lyon:** I guess we could go back to a couple of things that we talked about on Monday in the opening statement. In terms of the ministry's role in looking at the audits for the operating grants, the requirement we want from the external auditors is an attestation to the enrolment count that meets the requirements of operating from the manual. Beyond that, the type of audited financial statements that Mr MacKay has been talking about falls into the statutory requirement for them to submit it to the minister. The direct linkage between the audit opinion on the financial affairs and viability of the institution has little bearing on the operating grants in that sense.

Beyond that—and I am no auditor, so I cannot comment on whether the institution should adopt the type of audit that the Provincial Auditor has done—I think that is a matter for the board of governors to determine, the extent to which it wants the type of assurance that the Provincial Auditor has provided in a public forum.

**Mr O'Connor:** If provincial auditors had been maybe a little better received at some of these audits and had more details revealed to them, do you think their audit would have reflected closer to the audit that is presented to the ministry? Would it appear somewhat closer in their findings, as opposed to what has been shown, which are quite different?

**Dr Benson:** It is hard to speculate. I would anticipate, though, now that a procedure is in place, now that there have been three inspection audits and the institutions have noted the outcome of the audits, that it will change behaviour somewhat and that there will be—I think there are more rigorous audits going on at this point in time as a result. I think the ministry itself is being more rigorous in its requirements. So I think it has been value added, moving us forward.

Whether additional work need be done with respect to financial audits, I think it might be quite appropriate for that to be discussed, if it has not been already, between maybe the Provincial Auditor and those who are doing the audits of the universities, those professional auditors. I think there may be additional information that could be shared and so on, and maybe different procedures could be adopted, but I think that is up to the professionals involved to determine those elements. The issue, though, for value-for-money audit is another issue that needs to be addressed, and the most appropriate way of dealing with that would have to be determined, as to who, how, when, why and where.

**The Chair:** You have already prepared or revised a questionnaire as a result of these audits, which is that document there, as I understand it. According to the included



sheet, it says, "proposed change to be implemented in 1991-92; sample questionnaire attached." That was that the external auditors be required to complete a questionnaire—item 4.81—concerning the procedures that they have examined in conducting their enrolment audits, so obviously that has come out of the auditor's process.

We are going to be doing our report and we would like to perhaps suggest—I am just musing; I do not know whether the committee wants to suggest this or not—that this might include some more details that would trigger a response in the ministry that something needs a bit of looking into or a bit of a change.

I am thinking specifically that when the financial statements are filed with the ministry, which I understand to be the case, if you had an extraordinary matter such as the Trent dismissal or letting go or whatever, that would be brought to the attention of the ministry by some sort of note in the financial statement that there was a long-term employee who was let go and here was the compensation package. So it could be looked at, or at least it would put the universities on notice that they cannot do that without it at least being brought to somebody's attention.

**Mr MacKay:** Perhaps I can clarify that this particular questionnaire is attached to the enrolment.

**The Chair:** I know that is enrolment. But is what I am thinking of something that could be done by the ministry as a matter of policy or would we require some sort of legislative change to require that?

**Mr MacKay:** That is a very good question. We have certainly never discussed in the ministry making any specific requirements relating to the financial audits that are produced.

**Dr Benson:** I think in this regard we have to function within the context of the individual university acts, and a quick response is that it might require a legislative change. Notwithstanding, I think a very effective vehicle would be to work on a voluntary basis with the audit community to address some of the possible problems or problems that have been encountered, and figure out ways to overcome them. I would think the institutions would only be too happy to make whatever adjustments are deemed to be appropriate. They have the same goal in this regard, so I do not see any problem with respect to the level of inclusiveness or the appropriate way of carrying out a financial audit. I think they would be only too pleased to do whatever is considered to be professionally competent and appropriate.

1100

**Ms Haeck:** You made a comment about the Trent situation and the departure of Dr Theall. I think you understand that yesterday I did ask some questions of Trent.

**The Chair:** My comments were not meant to be derogatory. I thought they made a good deal, actually.

**Ms Haeck:** Actually, Dr Theall came out very well. I understand, from the point of view of the ministry and also from the universities, that you may not be able to answer this question because the ministry may not have the information, but I feel it is only proper to ask it. In light of the fact that Mr Cousens has done the quick tabulation of \$680,000 that went to Dr Theall, are you aware of other

situations in other universities that come up to a similar dollar amount?

**Dr Benson:** No.

**Ms Haeck:** So this is an extraordinary instance?

**Mr MacKay:** We do not normally have any information on the salaries or settlements.

**The Chair:** I am sorry. I should not have asked that question, frankly.

**Ms Haeck:** I must admit I am concerned that the taxpayer is going to be on the hook for a lot of money down the road, or could conceivably be.

**Mrs Cunningham:** On that question, it would be nice to have a comment here. Mr Cousens and I just had a chat about it. I have been involved with elections of directors of education and university presidents. I cannot imagine the ministry having ever been involved or asked any questions. The one time the regional office of the Ministry of Education asked us some questions, we told him to blow it out his ear, given the mandate we had and given the mandate the universities have. But my point is—

**The Chair:** I have caused all this. I should have kept my big mouth shut. All I was trying to do, Mrs Cunningham—

**Mrs Cunningham:** I am just saying, that does not make it right. I think this committee has now asked the question. In spite of the controversy and the embarrassment, I would say that Trent is simply not alone at all. You may look at school boards or others in these days and it is becoming a bigger issue. Anybody listening to this conversation would say, "Who do they think they are?" That is what they think about us even asking the question. The point is that it is public money and there should be some agreement or some discussion with perhaps school boards or colleges or universities as to the concern of the public representatives. I would like the ministry representatives to advise this committee about what can be done, if anything. I think at this point in time they would say absolutely nothing.

**The Chair:** I think they have already said they do not get that information. That is what I am trying to—

**Mrs Cunningham:** They would not ask for it.

**The Chair:** We had agreed that we would try to start as close to 11 to get into our report. Maybe that is something we can include in our report as an item, that there be some sort of asterisk put there of some of these extraordinary happenings.

I want to thank you very much for your attendance. You will get a copy of our report, which will be awaited, I am sure, with bated breath by thousands, perhaps millions. We will probably charge big dollars for it.

**Mr Hope:** On a point of information, Mr Chair: The clock is still running and we are slated to be stopped at 12. I do not know if this is going to be open when we have this discussion. Is it going to be closed?

**The Chair:** Closed.

**Mr Hope:** Closed? Then I would ask that the clock stop until such time as—

**The Chair:** Do not worry about it.

**Mr Hope:** Just so we are not cutting ourselves short of time.

**The Chair:** When we are doing our report we will probably have concurrence that we continue beyond if we have to, because we have to complete that report.

One item I bring to your attention before we go in camera is the fact that Mrs Dodds, you recall, asked if she could come before our committee, as she was the chair of Lakehead Board of Education at the time the audit was done. She wanted to come before us. She has asked us to pick up the cost of her transportation here. I would imagine that would entail the airfare. She can fly up and down on the same day, I think, so it is probably just her airfare and taxicabs back and forth to the airport.

I do not know the committee's position on that. It has been the custom, if we invite witnesses, for committee, more often than not, to pay the cost. Here we have this person who has requested to come before us, but in the final analysis she may be the best witness to be questioned. I guess if we had known about her we probably would have.

**Ms Haeck:** What if we split it?

**The Chair:** I do not think that is fair. She is coming from Thunder Bay.

**Ms Poole:** I would just like to tell the committee that when the select committee on education looked at the financing of education quite extensively in the last term, we did have Mrs Dodds as a witness and found her extremely knowledgeable, extremely helpful, and she gave us some quite valuable information on the whole issue of accountability. I would recommend strongly to the committee that it would be worth every dollar we paid for her to come down here.

**The Chair:** Okay. Do any other members wish to comment on that?

**Mr O'Connor:** Given Ms Poole's recommendation, it sounds as if it would be a wise move for us.

**The Chair:** Do we have unanimous consent that we pay for her airfare, round trip, and taxicabs? Unanimous consent? All right. Thank you very much.

We will now move in camera to deal with our report.

The committee continued in camera at 1106.



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### Standing committee on public accounts

Annual Report,  
Office of the  
Provincial Auditor, 1990

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday 25 February 1991

The committee met at 1418 in committee room 1.

### ANNUAL REPORT, OFFICE OF THE PROVINCIAL AUDITOR, 1990

**The Chair:** First of all, let me apologize for keeping you in the hall as long as you were there. There were certain matters that had to be discussed by the committee in camera, but we welcome you here, and I understand there is a statement which is being passed out by the clerk. Everybody has it now.

### MINISTRY OF EDUCATION

**Ms Palozzi:** Good afternoon. This is Ray Chénier, acting assistant deputy minister, learning services division, and Mark Larratt-Smith, assistant deputy minister, corporate planning and policy division. We are here today on behalf of the deputy minister to present the Ministry of Education's response to the report of the Provincial Auditor.

I would like to say at the beginning how pleased we are in the ministry that the Provincial Auditor chose to audit the ministry's financial relationship with the school boards of Ontario and, for the first time, to audit specific school boards.

We appreciate this opportunity to outline for you the policies and procedures of the Ministry of Education regarding the funding of Ontario's local school boards. Our focus today will be on accountability. As you are aware, the Provincial Auditor highlighted this aspect of our transfer payment program in his 1990 annual report.

I will begin by providing some background to educational funding and accountability levels along with an overview of the ministry and how it interacts with local school boards. Mark Larratt-Smith, assistant deputy of corporate planning and policy, will then outline the steps we are taking to improve our program and financial accountability. Ray Chénier, acting assistant deputy of learning services, will cover our ministry's financial verification process, including recent improvements we have implemented and the role of the regional offices in this process. I will then sum up and, together with my two colleagues, be pleased to answer any questions you may have.

As you will recall, the objectives of the audits were: first, to assess policies and procedures established by our ministry to ensure accountability of school boards for the grant money provided to them; and second, to assess those policies and procedures established by the school boards themselves to ensure accountability.

The report has provided a direction to ensure that public funds are spent in a fair and effective manner and that the citizens of Ontario receive value for the moneys raised for education.

I think it is important, however, to remember that the overall objective of the audits was to assess our ministry's planned accountability framework for the financial manage-

ment of educational funds, a framework based on the ministry's transfer payment accountability report of March 1989.

This is what the auditor had to say about this accountability plan: "The ministry report is a sound plan for strengthening the accountability relationship with school boards. Most of the comments and recommendations which follow are aimed at further strengthening the framework of controls identified in the ministry's report."

We view this appearance today and your committee's deliberations over the next few days as additional assistance in our continuing program to further improve the accountability for public funds for education.

Changes in our system of approving and monitoring school board grants have been under way for some time, particularly following Management Board's directive on transfer payment accountability in May 1988 and the subsequent accountability framework developed by our ministry.

As you know, the Ministry of Education, under the Education Act, is charged with the responsibility for education at the elementary and secondary school levels throughout the province. Local school boards have the responsibility to deliver services, that is, to provide the teachers and the structures in which learning takes place and to reflect the educational needs of their communities.

For school trustees, accountability for the spending of public funds has two distinct faces: they must be accountable to the Ontario government for the transfer payments from provincial coffers, and they must, at the same time, be accountable to their local taxpayers and voters for the funds generated by the municipality's tax base.

In his book, *The Administrative Structure*, W.G. Fleming says that during the 1850s, the province began to use grants "as a device to pressure local communities into adopting desirable practices and to extend educational services."

He goes on to say that Egerton Ryerson saw grants "as a means of establishing provincial control so that the community's right to provide for education or not, as it saw fit, could be effectively challenged." Fortunately, the days when providing education was optional have long gone, but a healthy tension between the local community and the province remains. In fact, I believe this tension to be a necessary ingredient because it prevents the system from becoming stagnant. This interaction between province and local authority helps create the conditions for change and innovation.

In many areas of the system, we have reached a flexible solution to different funding problems, and I expect accommodations will continue to be made and remade as our education system responds to the changing face of Ontario society.

For example, the amount of the ministry's contribution varies widely from municipality to municipality, depending



on the ability of the local tax base to support educational services for its children. On average, though, ministry transfer payments account for about 40% of the total operating cost of primary and secondary education in Ontario. This represents a total of \$4,879,000,000 for the 1991-92 fiscal year.

From a provincial perspective, our primary and secondary educational system is a large and complex one. In total, Ontario maintains more than 5,000 elementary, secondary and specialized schools staffed by about 116,000 teachers with a total enrolment of some 1.8 million students. The model we use to fund the system is also a complex one, and studies have been under way for some time to find ways to improve and simplify it. Mark Larratt-Smith will speak to this issue later.

To help us carry out our mandate of providing education for Ontario's children, our ministry is organized into five divisions. The first two I will mention briefly. They are the French-language education division, whose primary aim is to ensure quality and equivalent French-language education, and the learning programs division. This division is responsible for curriculum development and its review, literacy programs, teacher education, and for directly managing the provincial schools for children who are blind or deaf and the demonstration schools.

The other three divisions have responsibilities that are more pertinent to your concerns today.

Corporate planning and policy division looks after coordinating the ministry's planning and policy development. It also includes the school business and finance branch, which is responsible for education funding policy and the administration of the transfer payment programs to Ontario's school boards.

The finance and administration division looks after administration of the ministry's human and financial resources and includes the internal audit branch, which last year carried out the audit of all six ministry regional offices and the school business and finance branch at head office.

Finally, learning services is the division responsible for delivering ministry programs and policies to school boards and supervising their implementation. It includes the ministry's six regional offices, whose staffs have key responsibilities in dealing directly with individual school boards on financial and program matters.

The regional offices are the main point of contact between the ministry and individual school boards. All three of these latter divisions are represented here by Mark Larratt-Smith, Ray Chénier and myself as the ADM for finance and administration.

As I mentioned at the beginning of my remarks, we will be focusing our attention on accountability.

General legislative grants to school boards can be placed in three categories according to their level of accountability.

In the first category are block equalization grants, which are unconditional in nature. They consist of two types—the basic per-pupil grant and the board-specific grants. Both are designed to enable a board to provide the basic level of service. The amount of money a board receives under the basic per-pupil grant depends on the number of

pupils on its rolls and the relative wealth of its local tax base. Board-specific grants recognize that the cost of providing a basic level of education varies with differing geographic, demographic and socioeconomic conditions across the province.

The actual grant the board receives from the province is the difference between the recognized required level of funding based on the number of pupils and the amount a school board can raise from its local taxation base. In the case of Metro Toronto, which has the province's richest tax base, the Metro school boards are able to raise virtually all their requirements from property taxes. The result is that Metro receives no provincial funds for core services. While these core grants are largely unconditional, the ministry is implementing a number of measures such as expanded enrolment audits and analysis of how school boards set their priorities. There are difficulties involved in increasing the level of accountability for this type of grant.

The second level of accountability pertains to grants provided for specific purposes. Reduction in grade 1 and 2 class size to an average of 20 pupils and heritage language instruction are examples. Here a board must demonstrate that the purpose for which the money was paid has indeed been achieved. These grants permit some flexibility on the part of the board while ensuring that the ministry's goals are met. And third are the transfer payments, which require both the income and the expenditures to achieve that outcome to be accounted for. Examples are grants for equipment, software purchases, special-education consultants, etc. For these types of expenditures, unused moneys may be returned to the ministry or the cash flow may be linked to achievement of results.

With this as background, I would now like to turn the floor over to Mark Larratt-Smith to outline the changes we are implementing to improve accountability.

**Mr Larratt-Smith:** Ladies and gentlemen, education in Ontario at the primary and secondary school levels is today a \$13-billion enterprise. The province contributes 45% of this cost, which is about \$6 billion, and that includes operating and capital grants and contributions to the teachers' pension fund. The remainder comes from municipal taxes.

Two principles underlie the granting of provincial funds to school boards: (1) all school boards in Ontario must have equitable financial resources to provide a base level of education programs and services; (2) all boards must make the same tax effort to raise the local share of the costs of providing this base level of education.

Since municipalities have varying tax bases and therefore varying abilities to fund education, the general legislative grants are designed to overcome these inequities so that every child in Ontario has an equal access to quality education.

Dina Palozzi has briefly outlined the various types of grants and the three levels of accountability they imply. However, the actual funding model we use to determine provincial payments to school boards provides us with another perspective on general legislative grants. A description of this model is set out in a document that will be distributed to you at the end of this presentation.



For 1991, the government has made a number of changes to the funding model to make it more understandable to all stakeholders. These include changes to the funding of transportation to ensure greater economy and efficiency and to make trustees more accountable for transportation decisions taken by the local board. Details of the changes will be announced at the same time as the 1991 general legislative grants are released.

In addition, we have set up an education expenditure analysis section in the school business and finance branch to provide comparative and sectoral analyses of school board expenditures. This will give us a better understanding of patterns and trends in various spending areas and the corresponding funding provided by the province. It will also allow us to identify apparent anomalies.

We are also creating a more comprehensive financial database, which will allow a better measure of accountability for transfer payments. This will enable us to better analyse the cost-effectiveness of transfer payments and help us improve our funding policies.

The results will be helpful in developing value-for-money measurements in areas such as transportation.

The new database will also contain specific data on school facilities, which will improve our ability to identify the utilization of such facilities. We recognize the valuable contribution the school board sector can make in this area, too. For example, the select committee on education and the Ontario Public School Boards' Association have recently proposed joint ministry-board efforts to determine the components and costs of a basic level of education. In fact, the association has offered to work with us to develop more accurate data on school board expenditures and we have begun discussions with boards on how this might be done.

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Similarly, when local boards make decisions to increase expenditures, it should be clear that the responsibility for the expenditure rests with the local board. It should also be clear that delivery of services is the responsibility of the locally elected school trustees.

One way of holding trustees more accountable to local taxpayers would be to require that local tax bills identify which portion of the education taxes are for provincially recognized expenditures and which are related to the decisions of local trustees.

The ministry's intent to implement a new funding model has been announced by our minister. It is intended to review the education funding system over a two- to three-year period, only after consultation with the education community. This review will take place in conjunction with the work of the Fair Tax Commission. We see such changes as strengthening the accountability relationship in education financing.

I will now ask Ray Chénier to outline the role of the regional offices and to cover some of the changes that are taking place as a result of the auditor's report.

**Mr Chénier:** The Ministry of Education maintains six regional offices: in Metro Toronto, Sudbury, North Bay, Thunder Bay, London and Ottawa.

Aujourd'hui, si vous me permettez, je vais m'attarder sur l'un des rôles du bureau régional, soit celui qui consiste à qualifier les politiques, puis à mesurer et signaler le degré auquel les conseils scolaires se conforment aux politiques et programmes du ministère. En fait, les bureaux régionaux représentent le point de contact entre le ministère et les conseils scolaires. Ainsi, les conseils doivent soumettre leurs états financiers annuels à vérifier au bureau régional dont ils relèvent. Ils doivent également lui rendre des comptes sur divers aspects des effectifs.

The regional office carries out selected audits to verify enrolment claims and transportation costs. When discrepancies are found, an adjustment is made in the current year's grant. This settlement of a grant remains open. For example, if grant ineligibility comes to light several years later, an adjustment is made in the grant for the year the error was discovered.

It is also the responsibility of the regional office to assess the capital project proposals submitted by the boards in its area. Turning now to the auditor's report on the ministry, the report made comments or recommendations covering 27 items. Of these, the report found six to be adequate, effective or satisfactory and therefore no further action on our part was required.

I want to assure this committee that work is under way or, in some cases, completed on each and every one of the 21 items that the auditor identified as requiring improvements. These improvements reflect our ministry's move away from simply a financial audit towards a strengthened accountability, focusing on value for the money transferred from the provincial Treasury to the school board.

I will briefly provide you with a status report on each item and, as Dina Palozzi has already indicated, we will be happy to provide any additional details you might require.

A memo is currently being sent to the directors of all school boards outlining some of the key areas of the ministry's response to the auditor's report. I would like to share the contents of that memo with you now, since it deals with five of the issues raised in the report.

First, on the need to clarify the role of the board's external auditor, particularly as it concerns enrolment audits, I said in the memo to the directors of school boards that our ministry will consider introducing procedures for auditing enrolments that are similar to those in effect at universities and colleges; that is, that the external auditor provides an opinion as to the accuracy of the reported enrolments directly to the deputy minister. The ministry would provide the boards and external auditor with specific instructions along with background information and any specific concerns the ministry may have. By more clearly defining the role of the external auditors, we would help eliminate misunderstandings and possible duplication of effort.

Second, the lack of tendering for transportation services by many boards: I said that our ministry supports the auditor's statement that tendering can be a viable alternative, provided that service and safety requirements are met. In areas where lack of competing services makes tendering impractical, boards should compare proposed costs to those of boards that were able to tender for similar types of



routes. The ministry will, in the future, include an examination of the tendering process and/or the feasibility of tendering in its transportation audits.

Third, on the issue of the board's perceived need for greater clarity in the trustees' powers, I said we would work with the trustees' associations through training and orientation programs and if necessary recommend amendments to the Education Act that would clarify the roles, responsibilities and powers of the boards and the ministry.

Fourth, the auditor recommended that more sharing of board resources be explored, and I would like to take a second here, ladies and gentlemen, to explain to you a project that has just been under way—it is called the northern education project—whose mandate is to provide services to small and isolated boards in northern Ontario. It is to see how we can find better ways to service those boards through co-operation among boards or through contracts that small boards can have with bigger boards or through the hiring of their own officers on a part-time basis. In this, the increased sharing of board resources, I promised that we as a ministry would continue to promote such sharing and that in developing board-specific and program-specific grants in the future we would take into consideration the extent to which boards can share their resources.

And fifth, I said that we will be more closely monitoring the use of conditional grants in response to the findings of the York region Catholic and the Lakehead board audits. This monitoring will include ensuring that grants for specialized areas such as portables and for equipment such as computers are being used for the purpose intended.

Let me now briefly turn to those matters raised in the auditor's report that are the direct concern of the ministry.

Nous envisageons plusieurs mesures différentes pour améliorer la coordination et le contrôle de nos bureaux régionaux, pour uniformiser les politiques de vérification et pour partager les résultats de ces vérifications. Ces mesures comprennent la tenue de réunions regroupant les divers bureaux régionaux et l'élaboration de normes provinciales visant les vérifications sur le plan des effectifs, du transport et des installations ainsi que les méthodes de vérification de comptes.

En outre, nous sommes à préparer des listes de vérification normalisées pour améliorer le processus de vérification à l'intérieur du conseil scolaire.

A computer network system to assist in checking board submissions is being developed, although because of the costs and lead time required, we do not expect it to be in operation next year. Steps to improve the sharing of audit information within and among the six regional offices included a training session, held last November for all regional office staff responsible for auditing board data. Thus the sharing of information has become an integral part of the audit procedure for regional staff.

The matter of inadequate documentation from the boards to support their ranking of projects has been addressed in the 1991 capital expenditure forecast material that was sent to the boards. This material has been sent out earlier than usual, thus helping extend the time frame for the return of proposals and for our staff to analyse them.

Le besoin d'améliorer le processus de vérification et l'analyse des états soumis par les conseils scolaires fait l'objet de réunions entre les bureaux régionaux et la direction des affaires et finances scolaires du ministère.

Sur la recommandation que tous les conseils scolaires évaluent officiellement le rendement de leurs administrateurs et administratrices au moins une fois par année : le ministère consulte actuellement les associations de conseillers et de conseillères scolaires ainsi que l'Association des agentes et agents de supervision afin de déterminer comment procéder.

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The matter of the teacher negotiation process may be addressed in a review of education finance. The issue of closer monitoring of underutilized schools is being considered for incorporation into the capital allocation process. However, the difficulties involved in closing or transferring underutilized schools have been underscored recently in several areas of the province. Local citizens and students have campaigned vigorously against transferring underutilized secondary schools from one board to the other. The effects of the class size reductions in grades 1 and 2 have already been incorporated in the 1990 revision of the capital grant plan. The ministry's internal audit branch plans follow-up audits of regional offices in the next six to 12 months.

In looking at other areas, the auditor found that the control framework governing capital projects at both the ministry and school board levels was adequate and that communications between school board trustees and their administrators was effective. He also found that trustees feel that they receive adequate financial and budget information and that their boards had adequate financial control and support mechanisms in place. In short, I believe we are well on the way to answering all the concerns raised in the 1990 Provincial Auditor's report concerning implementation of our ministry's plan for a financial accountability framework.

I will ask Dina Palozzi to sum up our presentation.

**Ms Palozzi:** Thank you, Ray. I would like to emphasize five points:

That our ministry supports accountability as a fundamental principle for the funding of education in Ontario.

That as a ministry we believe we must continue to improve our ability to ensure that public funds are spent in a fair and effective manner and that value is received for payments made to local boards.

That we are improving our ability to make school boards more accountable for the funds we as a provincial ministry provide them for financing the cost of education.

That the dual accountability of school boards to local residents and to the province is basically a healthy situation. It can be improved further by some of the initiatives currently under way as a result of the Provincial Auditor's report.

That we have complied with or are in the process of complying with all of the recommendations made by the Provincial Auditor, especially in regard to monitoring and co-ordinating work of our regional offices.



That completes our formal part of the presentation. Thank you for your kind attention to the remarks this afternoon and we are happy to answer any questions.

**The Chair:** We were not aware when the brief was presented, since it was not presented until just before our hearings, that portions of it would be en français, and although most of us make an effort to learn both of Canada's official languages, I have had requests by some members of the committee that those phrases be translated into English. It becomes very important, particularly when you are dealing with the report as a whole. Now I do not know how the committee wishes to deal with that, whether they wish to have it, perhaps, done by Mr Chénier now and it will appear in Hansard in that way. That might be the most expeditious way of doing it. Perhaps he would be kind enough to do that. Is that the wish of committee? I see heads being nodded, so perhaps we could go back, Mr Chénier, to the first item at—

**Mr Chénier:** Page 15, Mr Chair.

**The Chair:** Yes.

**Mr Chénier:** Today, if you permit, I shall look at the roles of the regional office; that is, the one that consists in clarifying ministry policy, and then to measure and also to signal the degree in which the boards follow the ministry, the policies and programs of the ministry. In fact, the regional offices are the contact point between the ministry and school boards. Therefore, boards must submit their financial statements, their annual financial statements, which are checked or verified by the regional office of which they are dependent. They must also respond to the ministry concerning different aspects of their—effectifs—

**Interjection:** Staff.

**Mr Chénier:** Well, it is staff and all their belongings or—assets; I am sorry, that is the word. Okay.

**The Chair:** The next, I think it is 20.

**Mr Chénier:** Page 20, Mr Chairman. We face many different measures to improve the co-ordination and control of our regional office in order to bring uniformity to the policies—the verification policies or auditing policies—and to share the results of these audits. These measures include meetings between the regions and the development of provincial norms that will bring audits at the asset level, transportation facilities level and also at the financial levels. On top of that, we are preparing audit lists, which are normalized in order to improve the process of auditing at board level.

**The Chair:** Okay, now we are at page 21, the third paragraph on.

**Mr Chénier:** In order to improve the audit process and the analysis of documents submitted by boards, there have been and there will be meetings between the regional officials and school business and finance, which is at Mowat Block.

Okay, on the recommendation that school boards evaluate their administrators or their directors of education and superintendents once a year, the ministry is presently consulting with the trustee associations and the supervisory associations in order to determine how to proceed.

**The Chair:** Okay, that will appear in Hansard. Thank you very much, Mr Chénier. We would ordinarily have instantaneous translation, but because we were not aware of it, it was not available.

**Ms Palozzi:** We apologize for any inconvenience.

**The Chair:** No, that is fine. I think some of us may have understood it, but it is probably better with technical language that it be translated, so whoever reads it in Hansard will be able to read it if they are unilingual. Now, I have Mr Cousens first on my list.

**Mr Cousens:** Mr Chairman, a couple of questions: The first has to do with page 11 when Mr Larratt-Smith begins his statement: a rather fundamental principle of the ministry that "all school boards in Ontario must have equitable financial resources to provide a base level of education." I have a feeling that is more words than practice. Certainly I see a number of separate school boards right now that are in a deficit position, the York Region Roman Catholic Separate School Board facing an \$18-million deficit, and if you were to talk to them about equity between themselves and the public system, it does not exist. Practice is different from your theory. Would you not agree?

**Mr Larratt-Smith:** What I would say first of all is that the principles are the principles that have been there for a long time, and they have to do with the grants that relate to the under-ceiling portion, within the per-pupil ceiling expenditure portion of the grants to the ministry. As you may be aware, those go back many years and they have been incremented on the basis of inflation and wage settlements in the education sector, but they have not necessarily taken into account the full range of expenditure increases that boards have faced.

So I think it is important to clarify that these are the two principles on which the existing funding model has been based. I would not want to say that has anything to do with the equity of above-ceiling expenditures, because that of course depends very much on the tax base of the board involved, because it is 100% at the local tax cost.

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**Mr Cousens:** Mr Chairman, I have no intention of having an argument with the honourable members from staff, who do a good job. But I just believe there is something fundamentally wrong in our system now, that in fact when you say that, it stands out to me as something that is an anomaly with what is really happening out there. We do not have an equitable system.

Certainly in my area in York region, the public and the separate are very different: one has a surplus; one has a huge deficit. And the one, especially the separate, which we will be hearing from more tomorrow, has real grievances about the failure of the province to provide an equitable funding system for them. It has to do with lot levies; it has to do with a host of areas. It has not happened and is not happening. I throw it out because, to me, it leads to the other conclusion I have: that because we do not have an equitable financial system, I think we are almost forcing these good boards to cheat. So in spite of all the things that we are going to be hearing about tomorrow, and they will have the rationalization, "And you are doing so much to do



the follow up," and what the auditor has said, I am satisfied that they have to be a little bit crooked in order to make the system work, because it is so—

**Mr Bradley:** I would not want to see that in print.

**Mr Cousens:** I am saying it in public, you know. The system is so twisted that they have to walk the twisted—Mr Chairman, I know. Can I just—

**The Chair:** I do not believe the word "crooked" is parliamentary.

**Mr Cousens:** I would not want to have that in the record, so I think—

**The Chair:** Shall we tell the jury to ignore that word?

**Mr Cousens:** Yes, please ignore that. I would not want it, because I do not—

**Mr Ruprecht:** Just keep the word "twisted."

**Mr Cousens:** Yes, there are a lot of twisted things going on. The only other thing I have—and there are lots of others—but, you know, when you have your five points that you have written to the boards about, first of all, I would like to have a copy of the letter if you could share it with the committee through the clerk, that you sent to the directors. Have they gone out already or are they in process?

**Ms Palozzi:** They are in process.

**Mr Cousens:** Okay. If that could become part of our data, it would be very helpful. But why did you not elaborate? When you got into tendering, one of the issues that bugs me is the failure of certain boards to have a good tendering process. When our own auditor went and did his study on the York region separate board, that was indeed one of the issues that he looked at—I hope I am looking at the right one—in his review of that board. It had to do with the failure of tendering procedures, not going through the purchasing department's methodology.

Why was that not mentioned in your letter as something that boards should be doing an awful lot more about? If there is anything that hurts the public perception on public institutions it is if there is a failure to fulfil a complete, honest, open tendering process for the purchase of equipment, services or whatever. So why was that not included in your letter?

**Mr Chénier:** We were bothered by the tendering for transportation, because, as you know, transportation is a very, very high cost and we have noticed that a number of boards were not tendering. We realized that in certain parts of Ontario it is impossible to tender, as there may be only one transportation company in the small town. But where it is possible, we would like to see tendering. In areas where tendering is possible, there will be, as I indicated, measures to check to make sure that the boards have tendered; if not, that at least they have compared with other boards—if they cannot tender, that they will compare with other boards that can tender.

**Mr Cousens:** That has only to do with the transportation part of it. If you look at the auditor's conclusions and findings, he said, "Controls over purchasing were less than adequate. Specifically, many transactions did not have evidence of quotes or formal public tender," which goes beyond the transportation element and touches upon

purchasing per se, and that is why I am asking you, are you satisfied? Maybe the problem has disappeared since we have looked at those two boards, but why is there not a greater emphasis in your comments or your activity to do something to make sure there is public tendering in all boards. To me, that has to be something that is demanded. The fact that it is not happening really says to me we have got a system in need of repair.

**Mr Chénier:** Most boards in the province have tendering policies or purchasing policies that indicate that up to a certain amount they can have oral submissions and so on. Here, what we are facing is really persons not following board policy. I think if we were to conduct audits on other board policies, which may happen in the future, we would discover that some of those are not followed. I think that would be the more general approach that I would prefer to take.

**Mr Cousens:** Just for the sake of the record, it is an issue I will be coming back to, Mr Chairman. I believe it is an issue that has been slighted by the ministry. I see it as something that is very urgently required across the province, and any public body that is receiving funding from this government should have and be required to follow tendering procedures, and I do not see your answer as being the kind of answer I had hoped for.

**Mr Johnson:** When I listened to your presentation today, I became aware that there is a necessary or forced disparity in the amount of funding that the provincial government gives to school boards, understanding that they have different tax bases, of course. I see that 40% of the total operating costs becomes 45% of the total cost when you include capital grants, and that changes the contribution from the province from \$4.879 billion to \$6 billion, depending on whether you include capital grants or not. Is that correct?

**Ms Palozzi:** And the contribution for teacher pension.

**Mr Johnson:** And teacher pension contributions. Okay. What I would like to know, just for my own information and I guess for the committee, is what community would receive the least and which community would receive the most. Those extremes must be well noted, I would think.

**Mr Larratt-Smith:** Yes. The wealthiest board is easy, it is Metro Toronto public board, which is the umbrella board for the area boards inside Metropolitan Toronto. I believe the poorest board in Ontario on our current list would be the Kirkland Lake RCSS board.

**Mr Johnson:** What kind of disparity is there between public and separate school board funding? Is there something evident that you can relate to us? For example, in the range of public school board funding there is an extreme range. Is that same range evident in the separate school board system?

**Mr Larratt-Smith:** Yes. There is a very extreme range across the whole system. By and large, coterminous public boards will have a stronger assessment base because of the nature of their access to that assessment base, and even with the coterminous pooling arrangements, than



will the separate school board. But wealth is not merely a matter of public versus separate. There are some very poor public school boards, as well, in the province.

**Mr Jackson:** At the outset I would like to briefly comment on your presentation. I saw some elements which I felt were a bit lacking, given the context in which you are before us. We know we have had several peripheral examinations of accountability with the Ministry of Education, more notably the select education report which you briefly referenced, which was tabled January 1990, but the substantive amount of work was done in 1989 in terms of the committee's examination and several things that had come to light which were amplified and confirmed in the auditor's report.

I guess I am concerned that although you were called before us today to look specifically at the auditor's comments, there are some commonalities between the select education committee's concerns and the auditor's expressed concerns, and so if I might, let me just hit on a couple of those. The auditor has shared with us that perhaps as few as 40% of boards—which might almost mean as few as 20% of the funding, because you know how the stats can be skewed, but whatever 40% of the boards equates in terms of the dollars spent—have auditing committees. That is a commonality with recommendation 26 of the select education committee report and it is common to the auditor's concerns. It is through his report rather consistently. Yet Mr Chénier's letter, which was just tabled with us, makes no reference to it.

**The Chair:** I should add that that is only a draft, as I understand it. Is that correct?

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**Mr Jackson:** Thank you, Mr Chairman, for that clarification. The draft is deficient in terms of any reference, either by accident or on purpose, and your collective statements this afternoon contain no reference to audit committees. So my first question really has to do with what is the resistance with audit committees at the school board level? Do you not see those as very supportive of the kinds of objectives that we are all looking for here?

**Mr Chénier:** I think if you were to look at the 40% of boards that have auditing committees, you would probably discover that those are fairly large boards. In Ontario, there are, I believe, 123 or 130 boards, and probably 100 of those are relatively small and are also in very small communities. It would be extremely difficult for a large number of them to implement an auditing committee because of the makeup of the population in the area. Therefore, at this point, it was not included. If we work with the external auditors of boards a little more than we have done in the past, if we give them very specific instructions on the things that they have to look for, we may be able to circumvent the problem that you are indicating.

**Mr Jackson:** That still does not answer my question of why there seems to be a resistance to promoting the concept of independent audit committees for school boards, and not even necessarily independent, just auditing committees that are composed of members of the public, much in the same way as dozens of committees out there

that risk bringing in members of the public to be supportive to the goals of the board and the mandate of the province. It strikes me that an auditing function very much fits into that, but I am not seeing the support from the ministry.

Now, I will deal with whether or not there is support at the boards through the trustee organizations, but I am not getting a clear signal. Do you know which boards have auditing committees and which do not? Do you know if the two that we are examining have auditing committees or do not, or if they now have them as a result of the auditor's examination? I am sorry. I find your answer lacking and I apologize for persisting, but I am trying to get a sense, from a policy point of view, why we have clear recommendations and clear evidence that they are helpful, and yet I am getting a submessage that, "If we do these three things, things might get a lot better and we may not need them," without saying "We may not need them."

**Ms Palozzi:** I would like to comment on that. We have no intention of resisting what are, in fact, both good recommendations in terms of the normal organizational dealing with the internal audit and external audit function. I think what you are seeing is the ministry looking at those recommendations over the past number of years as you reference, the select committee report and the auditor's report, and mounting improvements in some systematic way in terms of the most critical issues. The fact that we do not have that recommendation or have not implemented it at this point does not suggest that we will not. There are a number of improvements that we will continue to look at, and within that we will be looking at various organizational functions and responsibilities that we have within the ministry. Ray spoke to the regional office roles, the school business and finance branch, the fact that we have an internal audit branch, that there are external auditors required for boards. Those are all areas that play a part in the overall accountability relationship.

**Mr Jackson:** Ms Palozzi, the last 17 years of my political career have been devoted to education. I have worked closely with your ministry. I understand the quantum of your efforts in accountability. I am just saying I have identified an area where I am seeing it lacking.

To quote your own reference to Egerton Ryerson, you could make his statements very, very contemporary by simply adding the word "accountability" to his statement to ensure that those children in those communities get what they are told they are supposed to get. It strikes me that internal auditing systems are a check in the system. I will not dwell on that. I am not disputing your efforts in all other areas. I just wish to bring to the committee's attention that this is an area we are not promoting, and if Ryerson were alive today, Ryerson would say the grant structure is an opportunity, like a carrot, to be dangled in front of a board for compliance, and we are not even considering that. I mean, if there was any deficiency when I recommended that, when I was on the select committee, it was that we did not say the grants should be structured as an inducement to ensure that boards get on board with internal audit committees. So it begs the question. If they will not do it based on their own energies and effort and commitment,



we always have the ministry, which says: "You get extra grants and there is a grant for a further accountability, but you must have an internal auditing committee." We have seen examples of that.

I do not wish to monopolize the time, but I do have several other questions.

**The Chair:** Go right ahead. I do not have anybody else on the list.

**Mr Jackson:** Then if I can move now to a fascinating statement you make on page 14, where you talk about the hand-in-glove relationship between school boards and the ministry in terms of joint discussions, but then you move to a point, a very cleverly worded paragraph, "...when boards make decision to increase expenditures, it should be clear that the responsibility for the expenditure rests with the local board." Would you agree to the corollary, that where an expenditure is mandated by the province it should in fact be the responsibility of the province?

**Mr Larratt-Smith:** That has been an issue of very considerable debate over the last little while.

**Mr Jackson:** We have discussed this before, have we not, Mark?

**Mr Larratt-Smith:** Obviously, that is one of the main concerns that school boards have had over a period of time, that the amount of the provincial grant, and even the gains and the ceilings, have not been sufficient to cover all of the expenditures that they felt were being imposed upon them by provincial policy, whether in the educational field or otherwise. I suppose one can argue that different ways. There are other organizations than school boards that also have been affected by a number of these policies, very important areas of public policy, and I think it is very clear that one of the major components of the above-ceiling expenditure increase has gone for this kind of expenditure.

**Mr Jackson:** We do not need to revisit that, as much as I wanted to put on the record that there is a certain fairness there and recognition, because this theme will come forward if we have time to get into the functional rated capacities for our schools as it relates to utilization of school space. There is some give and take there, but if I have time, I will revisit that question.

I wanted to move from that concept on to the issue of the accountability of the Ministry of Education staff to the government of the day. In my view, it is a very strong parallel to the relationship that exists between trustees and administrators. The theme of putting the responsibility on trustees, in my view, is a partial copout, because trustees come and trustees go. I am reminded of the story of the person, the more-than-affable new minister, who says to his deputy: "Please call me Fred. I prefer to be called that." The deputy minister says, "I really must call you Minister." And he says, "Call me Fred." He says, "Well, you must understand that the only consistent way we can deal with you politicians is if I call you Minister." Of course, what is not lost in that is the fact that you have had three different administrations in six years in this province, looking at this question of accountability and implementing certain policies.

I want to raise two of them with you, because they are of concern to me. The previous administration brought in

two recommendations. These were cabinet directives. This was not legislation. That was to merge the elementary and secondary funding, to roll them into one, which was done a year ago, and two years ago they rolled the special-education dollars into the general legislative grants. Now it does not take a rocket scientist to realize it is hard to impose accountability when you throw your money, in one lump sum in one cheque, down to a school board, as opposed to having it divided on a per-pupil basis by panel. You know my long-standing dislike for the discrimination between elementary funding in this province, but we will not revisit that at the moment. But I am sure the auditor, if he wanted to comment or was asked to, might suggest to you that it is helpful for school boards to track dollars if they are divided by panel, since we structure everything by panel. We have two sets of rules by panel.

1510

Now, that was a ruling of an old government. But you are the common administrators who had to implement it based on that cabinet order. I guess I find myself in a position to ask you how comfortable you are with that. What would be an appropriate question would be to ask you how you are coping with accountabilities, which is what you are talking about to us today, when you have made those kinds of administrative moves, albeit they may not have been your recommendation but rather perhaps a decision of the political side of the equation in the last two years? Could you respond to that? Those two areas anger me and I would really like to see them reinstated for accountability purposes if for nothing else.

**Mr Larratt-Smith:** The merging of elementary and secondary information is really something that has not been implemented. We do not have a single ceiling. We have still a ceiling for elementary students and for secondary students. Those have been collected together in the GLG as part of an attempt to make that document a little bit more comprehensible. As you know, it is one of the most incredibly complicated documents, the regulation itself, that anybody could hope to see.

The intention in the last several years has been to try to separate the categories of grants and so to identify in category 1 grants, for example, the core per pupil contribution on an overall basis that is made by the province. That is collected together in those category 1 grants, if you like, but the ceilings are still separate. So, for example in this past year, the ceiling has been \$3,500 for an elementary student and just over \$4,400 for a secondary panel. So it is possible to make that distinction as to how much money is being given against those two panels, still.

On the second question, the issue of special education, while it was included as well, there was a commitment made and maintained that the amount of money that was drawn from the special-education qualification of the board would be identified and that continues to be identified.

**Mr Jackson:** Do you wish to proceed? I can yield and then you can come back to me.

**The Chair:** Yes, I think we will do that, Mr Jackson. I now have a few people on the list: Mr Bradley, Mr Wiseman,



Mr Cousens and Mr Ruprecht, and then we will come back to you.

**Mr Bradley:** I would like to deal with the issue which you identify on page 22, to get some elaboration from you on that. At the top of page 22, the first paragraph says, "The matter of the teacher negotiation process may be addressed in a review of education finance." What did you have in mind there: province-wide negotiations, removal of the fact-finder provisions, or what?

**Mr Larratt-Smith:** I noted in my part of the remarks that the minister has indicated a desire to review the education finance system in a very fundamental way for some of the reasons that Mr Cousens was pointing out earlier on, and in so doing has indicated that once you do that kind of fundamental review, everything has to be available to be looked at.

Obviously, the current nature of the teacher negotiation process is very important to such a review, given that about 70% of the cost of education is in the salaries and benefits related to the teaching force. So the issue of the teacher negotiation process is obviously one of the pieces that would have to be looked at as part of such a review.

**Mr Bradley:** Does that include matters related to the teachers' superannuation fund?

**Mr Larratt-Smith:** The teachers' superannuation fund or the pension fund, as it is now called, is currently a provincial responsibility, as you know.

**Mr Bradley:** That is why I am asking the question. Is there some suggestion that in the negotiation process it will no longer be a provincial responsibility; it will be a shared responsibility?

**Mr Larratt-Smith:** There is certainly no specific suggestion of that at this point in time other than the point that the minister has made, which is that if you are going to look at a fundamental reform in the way you finance education, you have to look at all the options at once.

**Mr Bradley:** This is the first I can recall seeing this particular statement. I know there has been some suggestion that everything is on the table once you start talking about the financing of education, but I just noted that because, to my recollection, and I may have missed something along the way, it is the first time I saw that the teacher negotiation process may be reviewed in any significant way.

**Mr Larratt-Smith:** I perhaps should point out, if I might, that the reason for its inclusion here was in response to the Provincial Auditor, who had pointed out to us in the report he did that the Macdonald commission had made such a recommendation a few years ago and that had not been acted on.

**Mr Bradley:** A question about the closer monitoring of underutilized schools is being considered. What specific methods were you about to embark upon to more closely monitor the underutilization presumably of classrooms—of schools, anyway, and the rooms or facilities within those schools?

**Mr Chénier:** At this point, Mr Chairman, I do not have any answer on how we are going to do it. It is just

that we have observed that there is a very serious underutilization of schools in many parts of the province. In order to make sure that those schools are available, I would suggest that there would be a need to look at the allocation process in order to encourage boards to rationalize the use of their schools.

**Mr Bradley:** The next question deals with the issue of no tenders. Recognizing that the auditor has played a role in identifying some problems, what kind of monitoring does the Ministry of Education contemplate now, when we have discovered in fact that there are circumstances where tenders were not let for transportation services where indeed there may have been one or more additional people or companies who might have been interested in providing these services? That is the first part of the question.

The second part of the question is what investigation have you undertaken to this point where we have seen no tenders. I will ask what kind of changes you are contemplating specifically, and second, what kind of investigation has gone on as to the relationship between boards of education and those who have provided transportation services to the boards without a tender.

**Mr Chénier:** I am not aware that there have been any investigations. It has been observed and the ministry has been working with the boards that have been audited and where this discrepancy has shown. This is something I believe I have indicated that we will be looking at much more closely in the future.

**Mr Bradley:** The next question I have relates to transportation as well. It is said by everyone in the world but never seems to be implemented very effectively that in fact the utilization of transportation services leaves something to be desired in areas of the province. That is, some people do not want to let children of different religious backgrounds or different boards of education on the same bus for fear that they may be contaminated in some way or other. Is there a forced or compulsory movement on the part of the Ministry of Education to compel boards, where it is practical, to share those services? I know in some areas there has been some co-operation, but there still seems to be some reluctance in some areas of the province to share the same school bus, which of course boggles the mind when we look at the cost of transportation.

1520

**Mr Larratt-Smith:** Perhaps I could respond to that one. I indicated there were some changes in the transportation grants that would be announced in detail with the GLG this year, and they should provide a greater incentive towards economies where those come through sharing of school buses and school bus routes. Hopefully that will follow.

**Mr Bradley:** I will ask my last question, because I realize there are other people who may be interested in pursuing certain items. It relates to the closing of school for purposes of weather conditions. As a person who resided in the city of Sudbury for his first 12 years of his life, I cannot recall—and I could be wrong; my memory may have faded in all those years—I cannot recall King George public school ever being closed for the purposes of a storm or something like that. I moved into southern Ontario,



where there is not that much snow, and it seems to be a regular occurrence. It is said, of course, that it is the bus companies, not the school boards, which close it, because they say they will not provide the services. What kind of monitoring and supervision do you have of the closing of schools? Is it whether the local disc jockey says they should be closed or whether the snowflakes begin to fall?

**Mr Chénier:** Usually there is a board policy on the closing of schools. I have to agree with Mr Bradley. In my former life as director of education in a town north of Sudbury, we very seldom closed the schools, because our policy was rather strict on that. In other areas of the province, it would appear that the policies are more accommodating, or maybe it is more dangerous because of ice or slush and so on. In the north it is strictly snow usually. But it is a board policy.

**The Chair:** No studs.

**Mr Chénier:** No, we do not have those either up north.

**The Chair:** You do not want to admit that, no, no.

**Mr Jackson:** That does not even need translation.

**Mr Bradley:** I will not pursue that.

**Mr Chénier:** Do not press the point, no.

**Mr Bradley:** Did I say that was my last question?

**The Chair:** I think it is.

**Mr Bradley:** It was my last question except for this supplementary. If you think this is a supplementary, you will believe anything.

Going back to matters of the elementary and secondary grants, which have been pursued very often, my concern is similar to Mr Jackson's in that while we would like to think of them all as one and there is equality and so on, at this point in time the danger appears to be that if they are folded into one, as they are, in fact the movement towards providing that equality of grants for elementary and secondary education will fall by the wayside somehow, that there will not be accountability there, that the money can be shuffled one place or other. I realize there is an ongoing debate as to whether that is legitimate or not. I do not pretend to state that there are not divergent points of view on that, but I guess I ask again for your comment on the advisability of perhaps going back at least to showing the figures separately and boards clearly demonstrating that they are spending the money as you see fit in elementary and secondary education. I think there still appears to be a strong bias in terms of expenditures for secondary education.

**Mr Larratt-Smith:** Those expenditures can be seen separately because the numbers of pupils are available and the per-pupil ceilings are also available. The money that is provided under those grants is in the form of an unconditional grant, and it is obviously up to the school board to make use of that grant as it sees fit for the purposes of education. The fact is that the way those ceilings have been incremented over the years, as I was trying to indicate earlier, has been with this very mechanistic formula, if you like, simply looking at the average wage settlements involved in the particular area of the grant and looking at the cost-of-living increases. The way we have derived that

\$3,500 for elementary and \$4,400 for secondary goes right back to 1970, in fact, when the ceilings were \$1,000 and \$500 per pupil, and it is really a lockstep process that has derived from there with very little variation. Just to conclude, it is one of the very strong arguments for a major reform of the entire system, because at this stage it is very difficult to tell what is contained in that ceiling and what is not contained, given the many changes and additional responsibilities that school boards have adopted.

**The Chair:** Mr Wiseman.

**Mr Wiseman:** I would like to go down a little different road for a few minutes. I would like to discuss the relationship between grants, textbooks and curriculum, and whether or not the ministry has any monitoring device to be able to co-ordinate the publication of a new curriculum with the giving of grants and the publication of textbooks.

This was not raised by the auditor, but I know it is a problem. It is a problem because if the curriculum changes and the textbooks are not printed and the grants come out within a fiscal year, that money has to be spent, and that can amount to an awful lot of money. I would like you to comment on that.

**Mr Larratt-Smith:** I can comment in general terms that there has been a component in the grant put aside for textbooks as part of some changes two or three years ago. But perhaps you could be a little more specific in the question.

**Mr Wiseman:** Do you want an example?

**Mr Larratt-Smith:** I would be happy to have one, yes.

**Mr Wiseman:** In this grant when the OACs came out and they were to be implemented, the curriculum guidelines came out and the textbooks had not yet been written that co-ordinated the curriculum guidelines, and yet the funding was granted within a fiscal year where it had to be spent. A lot of that money was spent on books that did not match the curriculum because the textbooks had not been written, and you could not roll it over and spend it in the year when the textbooks were going to come out. Consequently, there are a lot of courses now being taught piecemeal throughout the system because the textbooks were not available.

Do you want a couple of specific subject areas?

**Mr Larratt-Smith:** No, I think I have a sense of your point, which is that there is a lot of trouble in co-ordinating some of the special incentive grants that are made with regard to particular programs and the ability to publish books. That is right and that does create difficulties.

In terms of the general legislative grant, we pay \$17 per pupil as a contribution towards board purchases of learning materials, which is a very general statement. It does not have to do with any particular course or any particular textbook. That is then up to the school board, under the use of the GLG transfer moneys that we are discussing here, to use for appropriate textbooks as they need.

**Mr Wiseman:** You did not quite answer my question. Do you have anybody to co-ordinate the giving of the



grants and the publication of the textbooks and the curriculum guidelines?

**Mr Larratt-Smith:** Okay.

**The Chair:** Are you looking for a job, Jim?

**Mr Wiseman:** No, Bob said there would be no by-elections.

**The Chair:** I see. All right.

**Mr Chénier:** The situation is that the amount of grant that was given or the additional amounts of grants that were given at the time of the OACs were certainly not sufficient to buy new sets of books in all the areas. It needed planning at board level and there were some books available. School boards in some areas bought books that were available and then the next year got others. You needed a lot of planning because the amounts did not come in amounts large enough to replace all the books in the school or in that group of students.

**Mr Wiseman:** I am going to try this again. The money comes down to the department head and he is given \$30,000 to buy a new set of textbooks for, say, math. Then what he finds out is that the particular textbook for the change in the curriculum has not yet been printed and yet he has to spend that money within the fiscal year. He does not have the decision-making power to determine that he will hang on to that money in his account and buy it when the book has been printed; he must spend it.

The second part of my question—the first part still has not been answered—was: Has there been any look at being able to give more discretionary power to the people who make those decisions and know best about what decisions are to be made—and those are department heads in the schools—to roll over money? It is a lot of money we are talking about.

**The Chair:** Are you talking about rolling it over into the next fiscal year?

**Mr Wiseman:** Yes.

1530

**The Chair:** I may be wrong, but I think that is something that cannot be done. Is that not right? You always hear about these great scurries to spend the money before the end of the fiscal year and I am sure there must be a reason for that. I do not know. Perhaps you would like to answer it, but that is my belief.

**Mr Larratt-Smith:** I am not sure I am still going to be able to give you a completely satisfactory answer. We can certainly look into it some more, but where a program is being implemented that may require new textbooks, part of the job of co-ordinating the development and implementation of that new program is ensuring that those new textbooks are written and come on stream. Whether they do so in exactly the same time frame as the board within its budgetary allocations allocates money through the schools and the department heads to do the purchasing is something I cannot tell you offhand, but we do attempt as we implement new programs to make sure the materials that are going to be needed, including the textbooks, are available for the implementation of that program.

**Mr Wiseman:** Well, I think I have made my point. You might want to take a closer look at the co-ordination of all that. Thank you.

**The Chair:** Are you finished? All right, Mr Cousens.

**Mr Cousens:** I wanted to fall back to one of the statements in your report, the value-for-money statement. You had in your report the idea that the ministry wants to incorporate more thinking on value for money. This is certainly something our own Provincial Auditor is trying to incorporate in his activity as Provincial Auditor. How would you see value for money coming into the educational system? Could you give us four or five illustrations where you will be able to have a way of checking on that kind of value? I like it. I just do not know how you are going to do it.

**Mr Chénier:** I think one area, if it can be promoted—I do not know if it will always succeed—is in boards sharing certain services. If you have two smaller boards in a community and they share purchasing of paper and other products, they may have savings in economies of scale. Those are certain areas. Services can be shared. I was talking about the northern education project. I believe that right now boards may quite often have a director of education and a superintendent, but they cannot pay for those salaries because the boards are not large enough. But if they could share the services of the superintendent or of consultants with one or more boards, that certainly would be a tremendous service to the children and, at the time, a saving to the board.

We have talked about transportation. I was going to make a comment about it and the fact that boards have saved an awful lot of money by having common routes between public and separate schools, French-English and so on. As long as the two boards are willing to have common policies whenever they have common services, it can be easily worked out, and that is a saving.

I do not know if there are other areas, but—

**Ms Palozzi:** I would like to just suggest that we have had some discussions within the ministry around ways in which we can look at the whole issue of value for money, and if I could come back perhaps tomorrow with some examples for you in terms of what those might be, that would be appropriate.

**Mr Cousens:** When I was on the school board, we had the toughest time just trying to do the simplest things, the kind of thing Mr Bradley was talking about transportation and how you improve it. People are so resistant to some of these things. Sometimes, maybe the best thing is where you have illustrations of success and the dollars that are saved, so that people will want to do it because they are able to get more value for the dollar. I can just say anything you can do in that direction certainly would be well received by local boards, looking for ideas at conferences and in newsletters. But starting here would be a good place to have it because I am impressed to see that in there and I would like to see anything you can do to make it happen.

**The Chair:** Okay. Mr Ruprecht.

**Mr Ruprecht:** Thank you, Mr Chairman. As you probably know, I am just substituting for Dianne Poole,



but I did not expect this to be as interesting as it turned out to be, with all this experience.

I have one question that concerns the communiqué or the memo to the directors of education written by you, I think it was, Mr Chénier. You indicate under section (c) that you would think there should be greater clarity and responsibilities in terms of the powers that boards utilize. Could you tell us, please, whether you mean you should sit down with boards and try to indicate to them and provide them some guidance in terms of their responsibility? If that is the case, could you give us some examples where you might think some of these boards went over the line of appropriateness in terms of their spending, whether it is in the city of Toronto or in the outlying regions of Ontario?

**The Chair:** I am not sure that is a fair request of staff, at least with reference to the money that is raised by the trustees themselves through taxation. If you are talking about the provincial portion, I think perhaps they can comment on that.

**Mr Ruprecht:** Let's just stay with the first part of my question.

**Mr Chénier:** I think that when we talk about greater clarity it is to determine the role of the trustees within their board, the role of administration within their board, so that people can understand and not trip over one another in many instances. I think it should be understood that the role of trustees is to be policymakers. The role of administrators is to administer or implement the policies developed by the trustees. Sometimes trustees want to administer and sometimes administrators want to be policy-makers, and I think everybody understands that there is a problem. Sometimes people cannot verbalize that problem, but they realize it. In 1977, I believe it was, the Ontario School Trustees' Council, the Ministry of Education and I believe the Ontario Association of Education Administrative Officials, the supervisory officers' organization, developed a booklet on the trustee: Who is a trustee, what is his role and so on? That booklet could be updated for the 1990s. I think trustees have been requesting training and orientation programs and I think that is what we are talking about when we talk about greater clarity; it is through training of trustees and refreshing administrators' memories about it, too.

**Mr Ruprecht:** When you meant greater clarity and responsibility, I thought perhaps you would be interested to know how trustees might be dividing up certain moneys for the school boards. For instance—and I hope you can answer this question—who would come into a school board when that school board has been accused of taking a greater percentage for its own expenses, for assistance, for travel budgets and for other things of that kind and when the press is indicating to all of us that certain abuses have arisen? When you talk under section (c) about greater clarity in terms of roles, I had assumed it would be also indicative of the monetary aspect.

**Mr Chénier:** It would be very difficult for an officer of the Ministry of Education to tell elected officials, who are democratically elected by the people of the city that they are in, how or where they should put their money. I think the democratic process will take care of that at the

next election, if everybody in the community does his or her job, and if people are happy that a board puts a lot of money on buildings and no money on books.

**Mr Ruprecht:** I think that answers my question, Mr Chairman.

1540

**The Chair:** Okay. Mr Hope.

**Mr Hope:** Thank you. I am not going to get cut off this time, am I?

**The Chair:** I do not remember ever doing that. Did I?

**Mr Hope:** Just so I know how much time I have got—

**The Chair:** You can have the rest of the day, if you like.

**Mr Hope:** No, I do not need that much.

**Mr Jackson:** Is there no one else on your list, Mr Chairman?

**The Chair:** Do you want to get back on?

**Mr Jackson:** I distinctly remember hearing you say, "We can come back to you, Mr Jackson."

**The Chair:** Sure.

**Mr Jackson:** Thank you.

**The Chair:** Okay.

**Mr Hope:** So I cannot have all day?

**Mr Ferguson:** He thought that was tomorrow.

**Mr Jackson:** You need all day to get one question out, Mr Hope.

**Mr Hope:** Do not worry, I will take it easy on you.

**Mr Jackson:** All right.

**Mr Hope:** I am looking at page 10, where you are talking about the reduction of grades 1 and 2 to an average of 20 pupils. In the community I come from, we have got a headhunters' group called the Tax Revolters, whose main focus now is on the school boards—

**Interjection:** Where?

**Mr Hope:** Kent county. I am reading through this whole debate about when we hit the market value reassessment, and I have got a second question which we will talk about, the wealth of the tax base. But I guess my first question is in determining the phase-in of the 20 children per class. When you talk about the accountability, I guess my question would be, when the board puts the cost on how much it would cost to lower it down to that, is that total value then taken or are you making judgement calls whether there is a necessity or whether that is just a luxury?

**Mr Larratt-Smith:** The way the 20:1 was implemented: First of all, there was some difficulty in the sense that boards were at different places in terms of the number of pupils in grades 1 and 2 at the point of departure. In isolate boards there would be boards that would already be below the 20:1 figure. What happened was that the ministry took an average and then worked it down over a period of time, providing grants to bring the amount down—and I cannot tell you the exact number of years; it was over two or three years, I believe—with a number that was to be achieved on each of the interim steps. In the case of some boards, which had already put a good deal of emphasis on the pupil-teacher ratio in grades 1 and 2, that was very



easy. Perhaps it was already achieved in the first or second year and they received some incentive money as well, because of the fact that they had already allocated money for that particular priority, as opposed to other priorities that perhaps they did not have the money to spend on. So it was done on a general, province-wide basis. Its particular impact on Kent county I could certainly get for you, but I cannot speak to that situation off the top of my head.

**Mr Hope:** As a matter of fact, I have it on it because the federal Conservatives have been playing somewhat of a game—as a matter of fact, I did not even know we were going to be talking about this and I got a letter to Garth Turner about it. Just in going through it, it says the increases in the grants are to help offset the initiatives; however, the costs exceed the increased grants. They received the grant, but they are saying the cost to implement it was more than what the grant was allocated for.

**The Chair:** Who was the letter from?

**Mr Hope:** It was from a board director. It was in my mail.

**The Chair:** Oh, I thought you gave a name.

**Mr Hope:** Yes, it was to Garth Turner.

**The Chair:** Garth Turner.

**Mr Hope:** The letter is to him; it is a copy to me.

**The Chair:** I see. I thought he was writing to you.

**Mr Hope:** No, no.

**The Chair:** I found that interesting.

**Mr Wiseman:** He probably wrote to everybody.

**Mr Hope:** You know, when I looked at that statement you had made, and it just so happened I was reading at the same time you made that statement and I guess when you talked about the accountability aspect, and that is why I put it in.

I will get off that one and on to another one dealing with the tax base. You talk on page 9 about the basic per pupil grant and the “relative wealth of its local tax base.” How do you find out the relative wealth of its tax base?

**Mr Chénier:** If you look at the basic amount, if you look at the up-to-ceiling expenditures, as we call them, there is equity there. If we look at Kirkland Lake separate school board—that is, the poorest board—the taxes and the grants offered by the Ministry of Education are equivalent to what somebody would get in another city of Ontario. That is why when we talk about basic education we are talking of expenditures up to ceiling. The difference is when you get above ceilings. If you have an equalized assessment of \$200,000 per child versus \$47,000 per child, you will see the difference in your ability to spend above the ceiling. But I think this is what we have to always come back to, that the commitment of the Ministry of Education up to now has been to provide equity up to the ceilings.

**Mr Larratt-Smith:** If I can just build on that, Mr Chairman, in terms of dealing with that up-to-ceiling amount, the ministry ensures with the GLG that there is a common mill rate, which attempts to equalize the burden across all boards up to that level. That is achieved by first

of all getting the assessment data about the wealth of the local tax base from the Ministry of Revenue and then doing an equalization, which again is based on a factor we receive from the Ministry of Revenue which attempts to roughly equalize the burden so that a house of a certain size and scale in one community is being treated similarly to the same house in another community.

Even though under the assessment rules themselves there is not that full provincial level playing field, we impute it, if you like, for the purposes of setting up this standard mill rate and with the money that is allocated for the GLG each year, that money plus that standard local mill rate will provide boards—all boards in the province—with the basic amount per pupil, the ceiling we were talking about earlier, \$3,500, as I say, in the case of the elementary pupil in 1990. That means the local taxpayer is paying an equivalent amount whether that local taxpayer is in Kent county, Toronto or the north.

**Mr Hope:** The comment was made, “Well, we’ll find out at the next election.” Going through the statistics in my area especially, I believe they are about the finest in the province of Ontario in their ability of spending and that. The unfortunate part is that I see a lot of the motivation being directed towards the board trustees and also to the teachers themselves as saying they are overpaid and underworked.

When I start to read this document that you presented today about accountability and where we have to be accountable, I guess the accountability also stems with how we are accountable to the general public in financing a lot of them. I was looking at some of the costs just for pay equity. The employers’ health tax also added additional costs to those boards and yet caused some great disturbance as far as depending upon the wealth of the community to supply the tax issue is concerned. Then we get into a big time bomb. I guess where I am really coming from is that I have two small children, age seven and five, whose education is just beginning, and I do not want to see it eroded. I think I speak for a number of people in my constituency about ensuring their children’s education; so I am really interested in the accountability.

Whenever we come back for the next audit we will audit this government’s performance, but I am sure it will be a lot better than the previous government’s. Thank you.

1550

**The Chair:** Mr Jackson has asked you to provide to the clerk for the record whether the ministry keeps a record of how many boards have audit committees and a list of which boards they are. Maybe you could do that for us.

**Mr Chénier:** We will bring that to you for the next meeting.

**The Chair:** All right, fine. That is tomorrow morning, by the way. Mr Jackson, do you have further questions?

**Mr Jackson:** Yes, I do. On page 16 you say, “regional office carries out selected audits to verify enrolment claims and transportation costs.” You go on to say that “when discrepancies are found, an adjustment is made in the current year’s grant. This ‘settlement’ of a grant remains open. For example, if grant ineligibility comes to light several years



later, an adjustment is made in the grant for the year the error was discovered." How many of these discrepancies do you identify in a given year?

**Mr Chénier:** I cannot give you the numbers this time. If it were possible, I could bring them at the same time tomorrow. I can say we have discovered some, but the numbers I do not have.

**Mr Jackson:** Yes. The Treasurer—the auditor—I almost called you the Treasurer. You should be the Treasurer, but you are the auditor. Most taxpayers would like you to be the Treasurer. The auditor identified two specific boards. Would you concur that those were bona fide discrepancies that you are referring to in those boards?

**Mr Chénier:** Far be it from me to question the Provincial Auditor.

**Mr Jackson:** No, no. I was asking for the common knowledge of terminology here. These are what you call discrepancies?

**Mr Chénier:** Yes.

**Mr Jackson:** I did not ask you to describe a discrepancy. I just thought I would go directly to the auditor's report, where he found discrepancies. Is that what you refer to as discrepancies?

**Mr Chénier:** Yes.

**Mr Jackson:** Then my next question is: Have you made any settlement with the York Region Roman Catholic Separate School Board, and, if so, what was it? And similarly with Lakehead.

**Mr Chénier:** On Lakehead, maybe I should ask my people to check. But with York, discussions are still going on with the ministry to determine exactly the amounts that are due, and that should be completed satisfactorily very soon. I believe the board was supposed to submit to us today, as a matter of fact, another process about how—

**Mr Jackson:** Protocol for negotiations?

**Mr Chénier:** No, not protocol for negotiations—how they would settle their deficit. There may be some problems that may take a little more time, because I think it is very complex, some of these discrepancies.

**Mr Jackson:** And could you share with us who does the negotiations for the ministry with respect to these settlement discussions?

**Mr Chénier:** I believe it is the regional office.

**Mr Jackson:** Okay, that was my suspicion. The auditor has shared with us concerns with respect to the relationship of the regional offices with boards; that it seems awkward that the very people who were responsible for finding these things, not having found them, now are in a position to negotiate a settlement with the people once they are discovered. Do you understand the nature of the question?

**Mr Chénier:** Yes. I think the problem has been that we in the ministry were not doing the kind of auditing that the Provincial Auditor has done. That is where we have realized our weakness. For instance, I believe the Provincial Auditor discovered that music rooms were built, musical instruments were supposed to be purchased and had not been, or if they were, they were certainly not being used.

Our type of auditing facility was to look at what the boards had requested; so if they had requested a music room, was a music room built? And of course a music room was built. But the facility was not being used as a music room; it was being used as a classroom. We have added to our audits more specific questions so we can come up with the same answers as the auditor has done. In the same way, computers.

**Mr Jackson:** I am sorry, Mr Chénier. I understand how the accountability will work out. I want to focus on the negotiation aspect and who is doing the negotiations with respect to the government on the accountability point. You have been very clear to the committee in terms of improving how you will monitor. I want to focus solely on settlements and negotiations.

Let me throw something else into the mix that is a concern. When I was a trustee, we routinely with pride talked about certain people from our board who were seconded to the regional office. Sometimes we were upset that we lost these talented people. Sometimes we were pleased to see them go. However, there is a relationship which exists between some personnel on boards by virtue of where they developed maybe three quarters of their educational career within the given board. Now, I am now putting it on the table, the nature of my concern. The parallel in education, as you know, is how can the principal be in the same union as the teacher, and during a strike, how can they conduct themselves in the best interests of the children or their union? I see a similar type of question about a relationship as it relates to an extensive regional office staff who are all members of the same union, but that is not my biggest concern. My biggest concern is this personal relationship between some boards—I do not want to call them friends of the board at the regional office. But we have the auditor identifying strong weaknesses at the regional offices, and we now have these very same people, having missed picking up certain things—we will give them the benefit of the doubt—who now are in the position of negotiating settlements. Do you understand where I want to focus?

**Mr Chénier:** I hope I did not mislead the honourable member in the sense that when I spoke about negotiations, it is not a question of negotiating the amounts; it is negotiating how they will be paid. There are no negotiations for the amounts that are owed. For example, if a board had reported that it had 3,462 pupils, and through an enrolment audit we discovered that it had only 3,000, it is not a matter now of negotiating whether it was 420 or 240; the 420 will stand.

I think what the ministry has done is to look at whether the board can be readjusted in one year, two years or three years? In some cases, if we were to bring a readjustment in one year, that board would be in a very serious deficit position. Those are the negotiations I am talking about. There are no negotiations when it comes to the amounts owed.

**Mr Jackson:** That clarification is very helpful, because settlement implies payment patterns as opposed to the amounts. In fairness, though, Mr Chénier, since I am very familiar with your political and educational and



administrative career—and it is a varied one, but you have not always been at the ministry—I think it is fair to say there is a clear expectation that the numbers as identified by the auditor are not really subject to debate.

**Mr Chénier:** That is right.

**Mr Jackson:** Whereas something that may be an internal audit, which would never be exposed to an independent audit committee, may never be exposed to an elected body—let me put it to you in that context—those numbers may be adjusted by agreement before they get to the settlement stage. I am not saying that has been going on, but I find it hard to believe that in the presence of all this concern about audit and accountability, we have had this protocol that refined for so long. I expect it to follow suit once the auditor has confirmed the numbers, and it will occur in Windsor, Peel and the other board areas. That was the area.

If I am not monopolizing time, I have another question on functional rated capacity.

**The Chair:** All right.

**Mr Jackson:** Thank you. On functional rated capacity, the auditor makes a fairly strong statement about the prioritizing that goes on for capital, and I happen to believe the Treasurer—I am doing it again; the auditor. Excuse me. I would like to correct that—

**The Chair:** He said he did not want to be Treasurer.

**Mr Jackson:** Well, if anybody knows what the Treasurer is paid, the auditor does. Anyway—

**The Chair:** That is a good reason not to be the Treasurer.

**Mr Jackson:** Precisely. Which raises questions why we are doing this for what we are paid.

**The Chair:** White hair is now rarer than it was before.  
1600

**Mr Jackson:** True. I thought the auditor's comments were rather harsh with respect to the shifting of priorities, given an understanding of how volatile school capital and transfers have been in this province since 1986 under Bill 30. I must betray a deeper understanding that I have of the four known shifts administratively on how we dealt with capital under Bill 30 in response to the changing political climate and moving from minority government to majority government.

Without dwelling on that, I think it is fair to say that a lot of capital decisions were made by directors and, from what I am told, some regional offices were not fully aware of what adjustments were made until those were negotiated by Mr Clifford and the coterminous directors behind closed doors. We know that process went on, and I do not think the auditor was privy to that kind of detailed analysis. I, for one, do not wish to focus too heavily on the capital because I think it is going to settle itself down now that we are basically 95% through the capital transfer issues under Bill 30. I know it is a sensitive area and you cannot talk about it because there are still four school boards, to my knowledge, that are questioning whether or not the deals were completed. I just wanted to put on the record that I thought those areas were rather harsh, recognizing that you as staff sometimes have to implement decisions from cabinet

that may stretch the flexibility of the current guidelines for legislation. I think that is the most polite way I could put it. Mr Larratt-Smith is on record as grinning at me at the moment.

Leaving that for a moment, I want to talk about this ongoing problem with functional rated capacity because I sense that the auditor did have some concerns about when a school board should trigger its examination for closure and consolidation based on the policies we are both familiar with. When was the last time the province reviewed and updated the FRCs, and did they do that in consultation with trustees? I recall for a long time there was serious debate between what we include and what we do not include, so that we have a shifting number in terms of what we rate for pupil places.

**Mr Larratt-Smith:** For the record, I am still grinning, Mr Jackson. I do not recall the last time this was actually done. We are in the process of a capital grant plan review. Some changes were made last year. There are other changes pending and being looked at as part of what almost has become a continual need to update the capital grant plan, so this is something that is under review at the present time. It has been under review for some little time in the past, but there is nothing recently that has been done to change the loading.

**Mr Jackson:** What is your understanding of the auditor's concern with respect to underutilization of space, if you were to focus in on that? I am trying to sense if it is children in seats—you know, actually the number of bodies—or how we rate our schools, which gives you two different pictures. The trustees would say, "We need X square feet for those few children in order to meet program needs in a contemporary way," whereas the ministry guidelines, which I understand are some 20 years old with minor revisions, reflect a day when we were not doing English as second language, we were not doing special ed, very few kids had access to a music room, etc. What is your understanding? I want to make sure that you two know exactly what the concern was, because I read this and I am not getting a clear picture of what the concern is.

**Mr Larratt-Smith:** I do not think I should be trying to put words into the Provincial Auditor's mouth.

**Mr Jackson:** No.

**Mr Larratt-Smith:** When I was reading the report again over the weekend, I had a sense that he was responding to a series of comments and interviews, both with ministry people and with board people, looking at the discrepancy, looking at situations where clearly, with declining enrolments, whatever the other use has been, there have been empty classrooms and there have been situations where there has been underutilization, if not actual non-utilization, of space. Perhaps the question should more properly be put to him.

**Mr Jackson:** Unless the auditor's staff want to put a finer point on that.

**The Chair:** I do not think they can at the moment.

**Mr Jackson:** That is fine then. I simply just wanted to close off on this FRC and adjustments. Mr Larratt-Smith



was grinning because he knows of my long-standing interest in tying the transfer of separate schools to the public schools, or public schools to the separate schools, under Bill 30 and tying it the province's closure policies and surplus and redundancy policies. It would have worked a lot more easily. I think the auditor came close to that without saying it.

But in fairness, a lot of school boards have approached this with an added sense of timidity because they did not want to be responsible for triggering a transfer by virtue of being overly accountable in the process of identifying surplus spaces. We have to be fair to school boards. That tension has existed in this province for the last five years and it is a dynamic which, although it would be more helpful to taxpayers, does not reflect the reality of the trustees' role in both the separate and public boards to protect their turf, as it were.

Anyway, I would like to close on that. That completes my line of questioning. I want to thank the ministry personnel for their very direct responses. I appreciate it very much.

**The Chair:** Mr O'Connor.

**Mr O'Connor:** One area that the auditor did not look at, and one of the boards we are reviewing the audit of is York region. It has not only had a substantial amount of growth but is also faced with an awful deficit situation, and interest payments alone are very substantial for that board. There is a regional office that looks at the capital projects and funding for that; am I correct?

**Mr Chénier:** When the boards present their capital expenditure forecasts, those go to the region. Then the region looks at all the capital projects of all the boards in their area. Last week, as a matter of fact, school-business-and-finance capital-project people met with the regional directors and started to establish the provincial list. Then that will move on until it ends up with cabinet some time in April, I believe, or May. So there is no final decision taken by the regional office.

**Mr O'Connor:** One thing I am just wondering, though: When the audit was done it did not include any look at some of the tendering that had taken place in the construction of perhaps a new school or anything. Just what level of accountability is there in that process of the building of new schools?

**Mr Chénier:** It is true that I do not remember seeing in the report that the auditor had mentioned anything about tendering for capital projects, but I believe that is a pretty standard approach throughout the province. If I recall correctly from my days as director of education, I think there are ministry rules. If tendering is required you have to take the lowest tender and, if you do not, I believe you have to have some pretty good reasons to do it. I surmise that is probably one of the safer approaches in tendering; it is done properly by all boards.

**Mr O'Connor:** So the regional office perhaps would not audit any school going through a tendering process or—

**Mr Chénier:** It is done in this way: Once all the tenders are in and the board has accepted the tender, the board cannot approve that tender until it has come to the ministry.

The final approval on the tender is from the ministry and not from the board.

**Mr O'Connor:** So the accountability lies with the ministry. Thank you.

1610

**The Chair:** I have one question. I am thinking in terms of the two principles underlying the granting of provincial funds to school boards. You say all school boards in Ontario must have equitable financial resources to provide a base level of education programs and services. Why is it that the grant to a public school, or the amount allocated, is higher than that for a separate school? I thought we had equality.

**Mr Chénier:** It is not a matter of being public or separate; it depends on your assessment. You may get 90% grants and you pay 10% from local taxation, but in the end you get the same amount, the two put together. The taxpayer who pays only 10% and the coterminous taxpayer who may be paying 60% of the tax bill, they pay the same amount in taxes.

**The Chair:** I am told by my school board that the per-pupil funding for a separate school student is different than that for a public school student.

**Mr Chénier:** That is because of the assessment and I will give you an example, the Timmins board and the Timmins RCSS. The Timmins board had a combined residential and commercial assessment of \$88 million in their equalized assessment. The separate school board had an assessment of \$43 million. Therefore, every time the public school board was raising its taxes by \$1 million, it was raising \$88,000. The separate school board, every time it raised its taxes by \$1 million, was raising \$43,000. That is because of the value of people who identified themselves or companies which in those days had to identify themselves as public school supporters.

**The Chair:** But you are talking about the overall money available. What I am saying to you is that even despite Bill 30, the calculation of grants for separate school students is based on a formula that is not equal with those for public school students.

**Mr Larratt-Smith:** The per-pupil grant ceiling is a province-wide amount. Whether it is a separate board or a public board, or a northern board or a southern board, the core amount per pupil, as a ceiling, is the same. There are other factors that may come into play where there is a very small school and there are inevitably greater difficulties in maintaining the overhead, the cost of the principal, for example.

**The Chair:** Let's not use hypotheticals; let's take Peel region. The amount allocated for the public school student as compared to that for a separate school student—can you tell me there is a difference in that, or are they the same?

**Mr Larratt-Smith:** Up to ceiling, the ceiling would be the same. The cost of educating those students may be quite different as a result of the difference in program, the difference in the collective agreement that may be had by those two boards. But the base amount per pupil, which is funded on a combination of provincial grant and local

assessment wealth on an equitable basis, as my colleague has just identified, would be the same for both boards.

**Mr Jackson:** Mr Chairman, if I might be helpful, the difference as I always understood it was in Peel there are two different costs to educate completely a separate student versus a public student, but they are funded on a base that is identical but it is later adjusted to reflect the inequities in assessment. But there are two different total costs per pupil. This public board may spend more than the separate board in Peel, but then again it has access to more money. But virtually all boards in Ontario are spending above their ceiling. I do not know if there is one left. Is that helpful?

**The Chair:** I will try to clarify it myself, because that is what I was led to believe. If I understand what you are saying, the amount that is paid by the province for each pupil is the same for a child or a person going to a separate school or to a public school. The only difference is that the public school is able to raise greater amounts, perhaps through local assessment, which is the other part of that cost.

**Mr Larratt-Smith:** No, it is not that the same amount is contributed, because the local assessment wealth will be different. But up to the ceiling, which is the arbitrary amount we were talking about before, \$3,500 per elementary student, that amount is composed of provincial grant and local tax on a basis that makes the local tax the same whether it is in Peel, the Peel Board of Education, or the Dufferin-Peel RCSS Board. So, given that this local equalized contribution is the same, the ministry grant makes up the difference; in almost all cases of Catholic boards, the local wealth is less, so the ministry grant will be higher in a coterminous situation. That takes it up to the basic \$3,500 per student. But if, as Mr Jackson is pointing out, in virtually all cases boards are spending at or above the ceiling—again, these would be hypothetical figures—one board might be spending \$5,500 per student, the other board might be spending \$5,000, and they would be funding the amount above the \$3,500 off their local tax base.

**Mr Jackson:** One hundred per cent.

**Mr Larratt-Smith:** One hundred per cent.

**The Chair:** Okay. Any questions? We will have these people back tomorrow morning as well. Thank you very much—

**Ms Palozzi:** Mr Chairman, just a point of clarification. The memorandum that was distributed earlier was not a draft memorandum. It was distributed on Friday and will be distributed this week.

**The Chair:** That is fine. I was led to believe it was.

**Mr Larratt-Smith:** One final point I would like to add. On page 12 in my remarks I indicated that a description of the funding model would be handed out at the end of our remarks. We have it here, and perhaps it could be distributed by the clerk at this time.

**The Chair:** All right. Mr Clerk, if you would do that. We thank you very much, and we will see you tomorrow morning.

Before members go, I wanted to give you some good news and some bad news. The good news is that I will not be here tomorrow.

**Mr Ruprecht:** You were not here today, so what else is new?

**The Chair:** The bad news is that Mr Ruprecht will not be here tomorrow either. Apparently the Vice-Chair will not be here as well, so I have asked Mr Miclash to sit in as Chair, and I will have a substitute come in for me. I just thought I would let you know that. I do not think it makes one iota of difference. The meeting will probably run more smoothly.

**Mr Wiseman:** We might start on time.

**The Chair:** That is true. I feel like the skipper of a ship that has been floundering at sea for 365 days and a mutiny is about to take place.

**Mr Jackson:** I thought you felt like that on 6 September.

**The Chair:** Thanks very much. We are adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 1620.



**ERRATUM**

<b>No.</b>	<b>Page</b>	<b>Column</b>	<b>Line</b>	<b>Should read:</b>
<b>P-2</b>	<b>P-28</b>	<b>1</b>	<b>19</b>	<b>Mr MacKay:</b> We certainly are able to identify those stu-

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Provincial Auditor, 1990

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Rapport annuel de 1990  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 26 February 1991

The committee met at 1013 in committee room 1.

### ANNUAL REPORT, OFFICE OF THE PROVINCIAL AUDITOR, 1990

Resuming consideration of the 1990 annual report of the Provincial Auditor.

#### MINISTRY OF EDUCATION

**The Acting Chair (Mr Micalash):** Ladies and gentlemen, seeing a quorum, I would like to get started. Actually, if I were in my former position as a schoolteacher, there would be a lot of detentions handed out right now, but we will not get into that.

I would like to welcome you to the standing committee on public accounts, and particularly welcome the witnesses today from the Ministry of Education, if they could identify themselves.

**Mrs Palozzi:** Dina Palozzi, acting deputy minister.

**Mr Chénier:** Ray Chénier, assistant deputy minister, learning services.

**Mr Larratt-Smith:** Mark Larratt-Smith, assistant deputy minister, corporate planning and policy.

**The Acting Chair:** Thank you. I believe we had two questions from Mr Jackson that were on the record yesterday. Are you prepared to go ahead with the answers to those?

**Mrs Palozzi:** What we have done, Mr Chairman, is prepared a number of handouts that we would like to table. Yesterday we did not have the English translation of the pages where Mr Chénier's speech was in French, and we have that available for the committee. Also, there were a number of questions yesterday that we noted. One was information on audit committees. There was a commitment to Mr Cousens on examples on value-for-money initiatives that we have outlined, and a question on discrepancies and adjustments, I believe, by Mr Jackson. We have written information on that, which we would like to table with the committee, and we have copies available for that.

**The Acting Chair:** Ladies and gentlemen, at this time I guess we are ready to move on to further questioning, and I am looking for questions. Mr Curling.

**Mr Curling:** Thank you, Mr Chairman. What an opportunity it is to serve on this public accounts committee. I am so glad that sometimes my colleagues are unable to make it so I can get the opportunity to sit in on this. Since I see the opportunity here, may I then, Mr Chairman, just point out something that is in the auditor's comments on the Lakehead Board of Education, that there are suggestions that the enrolment at the Lakehead Board of Education has somehow declined to just about 11% over the past eight years, which as you know, will bring about a surplus of schools. I know the ministry requires that all boards are to

have a closure policy. Under Bill 30 the public schools are also required to identify the surplus schools and transfer them where necessary to the other separate school boards. Am I correct in that?

I notice the auditor also suggests in his review of the Ministry of Education that the potential does exist for boards to reduce costs also by sharing those resources, like transportation, information systems, supplies and their PD, their professional development. Most of the boards indicated that there were few opportunities for sharing resources, partially because there were insufficient ministry incentives also to do so. My concern, then, given the ministry's requirement for board developments, to develop school closure policies, is, does the ministry require boards to develop plans for resource sharing, and what incentives does the ministry provide for, or is it thinking about contemplating providing for, to move boards towards more fulsome resource sharing?

**Mr Larratt-Smith:** Perhaps I can address some pieces of that, Mr Chairman. I do not believe there is any strict requirement on boards to develop resource-sharing plans. There is obviously an encouragement for them to do so in terms of other than the capital facilities.

I was mentioning yesterday to the committee that the new general legislative grants, which will be announced shortly we hope, do include some changes to the transportation grants, which will provide a greater incentive to school boards to achieve efficiencies and work together in doing that than has been the case with the old formula, where the marginal dollar was very heavily a provincial dollar, and so there was not really that incentive to achieve efficiencies in school bus routing.

I might also mention this would touch on an issue that Mr Jackson raised yesterday as well, that there are some changes that are being made to the school closure policy, which we are hoping will be out shortly, which will make it very clear that a transfer of a school under Bill 30 arrangements is not a closure issue.

**Mr Curling:** Thank you.

**Mr Jackson:** I have had an opportunity to read all of the material that has been presented by staff today from the ministry. Perhaps I could read into the record the ministry response to my question about discrepancies and adjustments. I believe I asked if I could have some examples of adjustments. It could either be number or board specific, but what the ministry has provided—I might suggest that if these are dated, they are helpful to the committee for our records in future. I am quoting from the material presented by the ministry:

"Discrepancies and Adjustments.

"There is almost always some adjustment as a result of audits. Most are minor. The number of major discrepancies varies from year to year, but is still a small percentage of



audits. The more comprehensive approach to auditing is expected to be productive." That is quite helpful.

1020

Can you share with us anything more concrete in terms of how many adjustments have been made? Let me put the point directly: As a result of the auditor's activities, we have two school boards. Both school boards are going to have adjustments. We can only theorize at this point that, at the end of the six audits that are currently under way, there will be six more adjustments. Maybe not, but maybe. When this committee looks at that a year from now, if that is the case, we are going to really raise the question, "Just how many adjustments occurred prior to the auditor's interventions?" That is really what I am trying to get a sense of.

If you said to me, "Cam, we have only had one adjustment in the last 30 years," then I would be horrified, but I would like to know that information. If you said it was routine, and I got a sense of that—but I am afraid that these three sentences do not enlighten me on the basis of the question I asked.

**Mr Chénier:** Mr Chairman, we can talk about adjustments at two levels. When the boards submit their financial statement at the end of the year, about 98% of them are readjusted. They may be very minor, but there are readjustments there.

**Mr Jackson:** Who readjusts what? I am sorry, Mr Chénier, if you could just explain to me who adjusts what? I mean, do they send it in less something and then they phone up and say, "I would like to change it"?

**Mr Chénier:** No, the regional office will call back and indicate not enough information, or the wrong information, and there were errors in the figures that were made and so on. So there are readjustments. That is one part.

**Mr Jackson:** Okay, so that really is completing the form appropriately, as opposed to an audit function.

**Mr Chénier:** Yes, that is one—

**Mr Jackson:** Okay, I just want to be very clear on that.

**Mr Chénier:** The second part is the audits themselves. If we talk about major discrepancies, there would be six to eight per year.

**Mr Jackson:** Out of a hundred and how many boards?

**Mr Chénier:** A hundred and twenty-three.

**Mr Jackson:** Okay.

**Mr Chénier:** Of course, you have to realize that there are not audits of every board every year. There are—

**Mr Jackson:** By the regional offices?

**Mr Chénier:** By the regional offices.

**Mr Jackson:** How many would the regional offices audit then, or examine in those kinds of detail?

**Mr Chénier:** In some areas, if you talk about enrolment, we talk schools; we do not talk auditing a whole board. We will audit a number of schools in a board, a sample, if you want. Usually it runs at the secondary level at about 15% of our secondary schools in Ontario. At the elementary panel, it is approximately 3% a year. In the

transportation area, I do not have the percentage in front of me, but again there are transportation audits conducted and discrepancies are found.

**Mr Jackson:** Can you give us a sense of a higher or lower priority that you have for various financial activities in your relationship with boards? Would you say that because transportation is a flow-through and subject to the very sensitive areas of tendering in and—I do not want to get into busing, but we know that you cannot always tender when there is only one supplier of service in the region. But it is a very sensitive area versus perhaps trusting a principal to ensure that he is staffing his school according to the collective agreement. I see two different needs to check. I could weight those if I were asked. Do you do a similar type of weighting, and therefore have more of your—what is becoming more loosely defined as auditing of these—do you do more or less in certain activity areas? Could you be more specific?

**Mr Chénier:** In transportation audits, there are 20% of school boards per year that are audited.

**Mr Jackson:** And how extensive is the 20%? Do you do all the contracts in a given board? Do you do one supplier?

**Mr Chénier:** Usually when transportation audits are conducted, they are conducted with the coterminous boards. The two boards in one area are done at the same time.

**Mr Jackson:** This was not always done? This is a recent function?

**Mr Chénier:** I would have to check that, I think.

**Mr Jackson:** I do want to deal with transportation at length some time this morning, because of my prior life on the standing committee. There was a lot of information shared by your ministry, and it does not seem to square with what we are seeing in this document. I will come back to that if I may.

If I can continue, Mr Chairman, I wanted to pursue my line of questioning on audit committees. Again, for purposes of the record of this Hansard, the information that I have received from the ministry today states—and I am quoting and I want it read into the record because I do not want to paraphrase. This is exactly the information that was given to this committee: "The ministry collects information on all legislative committees. Audit committees are not currently mandated in the Education Act and therefore there is no information available at this time. The ministry will undertake a survey to determine the extent to which school boards have audit committees and the scope of these committees. We are aware that some school boards have already broadened the expectations of their audit committees to include comprehensive auditing. We will encourage the establishment of audit committees and/or other mechanisms to ensure accountability of the local level."

Now that that is on the record, I guess my concern primarily is that, as I understand the process—and I have been around here for six years—the auditor has identified a problem and he has communicated to your ministry. You are communicated that well in advance of the public's seeing the auditor's report, and the auditor has made some



references to audit committees being helpful either informally or in the report. Yet I am not seeing a commitment from the ministry to either determine how many are out there, which you have confirmed, that you even—I mean, it has been a year since the auditor first advised you that we had problems here, and I do not sense a commitment from the ministry.

I draw your attention to the report of the select committee on education, which also references some interest there. Now, that does not mean you are not committed this morning or as of last night when you prepared the memo, but how soon do you think we will be able to get a handle on how many are auditing and the nature of their audits? I will leave it at that for the moment.

**Mrs Palozzi:** I would like to comment on that. One, I think that you indicated that it has been a year since we had this information and that is not quite correct. I would suggest that action on many fronts in terms of improvements that we want to make and the overall accountability relationship of the ministry with school boards takes a fair amount of time in terms of determining the most effective changes that we can make and that we can implement, and that your comment on our inactivity on audit committees at this stage does not suggest that we would not take action on this front, but it does suggest that we are looking at and considering the various options available. It is no different from what is available within organizations. The Provincial Auditor will know the use of audit committees within ministry organizations and the comment around including an external participant on—and I think it was the same comment from the select committee report, including a member of the public on your audit committee. That does not mean that boards do not have audit committees. So it is the variety.

In response, I would refer you to our efforts in terms of our plan on transfer-payments-accountability framework, our intended directions in terms of making improvements, and I would suggest that there are things that take time to implement. Audit committees are seen as a positive thing. The question in our minds at the moment is one of requiring, whether we require boards to do certain things, and that whole discussion is a difficult one for the ministry in many areas. Ray, maybe you could add to Mr Jackson's question.

**Mr Chénier:** I think we will require that boards have measurements of their own accountability. As to what form that will take, I think that the auditor indicated that audit committees are fine, and I agree with that. I think that what we have to do is we have to find out what mechanisms boards have or whether they do not have a mechanism to measure their own accountability. Then the ministry will have to work with the trustee associations to see, should we have only one and say all boards will have auditing committees, or should we indicate boards will have to devise an auditing mechanism and see if that can be worked out? As I said yesterday, I am not sure that all boards, depending on the size of the board or the community that it is in, could have the type of auditing committee that we may request them to have, such as one that would

have external members and so on. I think we have to look at what is possible within the province, because it is such a large province and so diverse.

1030

**Mr Jackson:** Well, Mr Chénier, you have held public office and you are a civil servant; you have worn many hats. I understand what you are saying to me, but you were able to tell me yesterday in rather specific terms that the large boards had audit committees, and then today I get a report saying, "We do not know where audit committees are in this province, specifically." So I will leave that alone if I may, but my point simply is: I am not suggesting that you are negligent for not doing it. There is evidence everywhere we should be doing it in a proactive way, and the extent that you are not doing it is also a matter that this committee will address in its report and we hope to be helpful in that regard.

In light of the horizon and the problems in education, it is unusual that we are not trying to get a handle on how many audit committees are operating, when everyone seems to be talking about them. Perhaps the auditor can explain the earliest time—I may be off by several months—but my understanding of the process is that the government is advised of the contents of the audit and I was told that it was done pre-summer and that it was made public in the fall. Maybe the auditor can be more specific and maybe I was unfair to suggest that you have had it a year, but I do believe you have had it some seven, eight or nine months, as long as that amount of time.

**Mrs Palozzi:** Yes, in an interesting period.

**Mr Jackson:** Yes, there was a change of government. I do not want to dwell on that. I want to build on this principle that we are not getting the information on audit committees and now we are going to and that is appreciated. However, I want to go back to Mr Chénier's letter, which does not mention this concept of auditing committees. That is fine, but it is a memo to directors of education. Nowhere are we advised that this has gone out to the chairmen of school boards or the finance committees or maybe even the auditors of records for each of the school boards. I made some calls last night myself. Can you indicate to this committee if you have any assurances that this has been shared with school board elected people, your memo that you tabled with this committee?

**Mr Chénier:** No, I cannot assure the committee that it has been shared. I would hope that directors of education would share with their boards and the other administrators the memos that they receive from the ministry. That is all I can say at this point.

**Mr Jackson:** I do not wish to put you in a difficult situation. We have a problem in this province with directors of education. It is a specific recommendation in the report of the select committee on education. It is probably the most controversial one, recommendation 27, which talks about the dual role of directors as financially accountable agents and yet they are the chief educational officer. Mr Chénier has been in that awkward, difficult and challenging position himself as a director of the separate board in Timmins, and he knows what this is all about. But



MPPs have expressed concern to the Ministry of Education that somehow boards are not implementing the spirit of the legislation, which is to be more consultative and to be more accountable.

I wonder how well we serve elected trustees, who are held accountable for these moneys in a public way, whereas the directors are not. They are held accountable through performance review, but trustees come and trustees go, as I said yesterday. Do you not agree that it would be more helpful if we were to ensure that matters that we are dealing with as a committee, of the sensitive nature of audits, should be shared at least with the elective people who were elected to ensure that taxpayers' money is spent wisely and safely? Because it is not us—we are here in Queen's Park; it is those trustees who are elected at the local level. But I have talked to chairmen of boards last night and this morning who have never seen this memo and one did not even know the auditor had anything to say at all about school boards. This is a pretty with-it chairman of a board.

**Mrs Palozzi:** I think that, first off, yesterday I indicated it was a draft memo to begin with and then corrected myself and said that it had been signed as of Friday. I am unsure whether our mail system is quite that efficient that as of yesterday or last evening this memorandum would be available out in the boards. On the matter of our communication with directors of education, in our normal procedures we would communicate this type of administrative/financial information through to directors of education, who are responsible to their boards.

I think one of the other points I wanted to make was that earlier you asked why would we not encourage, or more than encourage, boards to have audit committees? Perhaps you implied that we should require that sort of thing. I think one of the things we have to deal with is that we have traditionally in the ministry not told boards how to run their operations. If you think about an audit committee as a mechanism for control, it really does fit in the category of how to accomplish something.

I think that we have to move in—perhaps it is a cultural shift, perhaps it is requirements that change with time, but it is an issue that causes us some difficulty from time to time in terms of the kind of things we want to accomplish.

Lastly, if I could just comment, I referred to a report that I do not believe we have made available, but it is a report to Management Board on the ministry's framework for transfer payment accountability and the kinds of improvements we expect to make. I would like to table that with the clerk if I could. It is a report plus an appendix.

**Mr Jackson:** That is appreciated. If I may, just briefly, I think you have got other speakers, but I do not see a cultural shift on accountability. Frankly, I just think we have trusted the Ministry of Education to run its shop with elected trustees, but the economy and the times are requiring that we have fuller accountability across the board in all. However that has happened, I do not see it as a cultural shift, but I do not want you to debate that.

Perhaps we could move very quickly into this issue of retirement gratuity. Again, it is a recommendation that the

legislative committee has made to the Minister of Education. You know that the retirement gratuity sits on the books in almost all cases as an unfunded liability. It is not required to be reported to the trustees or to the public, but as a benefit it is required to be reported in just about every other circumstance for public accounting. In other words, retirement gratuities stand alone and unique in the fact that they do not have to be reported. But in my board, it is a \$190-million liability that is sitting on the books, which has to be funded in current-year funding.

You know the issues. I am concerned that we are not telling the public about this and that we could be helpful if in fact we got some feedback from the ministry, because it is, in my view and the select education committee's view, an important enough issue that it should begin to be reported so that the trustees are aware of it and the public is aware that this is a liability that has to be met out of the current contract agreements.

**Mr Larratt-Smith:** Perhaps I can respond. I am not entirely sure what response I can give to Mr Jackson. I appreciate the discussion of that in the select committee report, and that is still very much something that is under consideration in the ministry, that report. But I cannot be helpful to you in terms of a specific answer right now as to any changes of policy or any changes in the way in which the ministry would want to see school boards deal with this issue.

**Mr Jackson:** Okay. Well, Mr Chairman, I will yield, but I just wanted to make two very brief comments. One was the issue of auditing committees. It is well within the purview of the public accounts committee to make recommendations that your ministry be directed to maintain information on audit committees. We might even go to the next level, which is that you recommend guidelines. Or thirdly, we might even recommend mandating them.

On the other point about the letter, there is nothing preventing you from sending a copy of your memo to the directors of education and a copy of the auditor's report, because the two go hand in glove, to every chair of a board in this province. You would have no difficulty doing that to ensure that, just as we are the elected people and the auditor respects our function, within the ministry you would want to ensure that your directors of education are sharing this with the elected people. You would have no difficulty doing that or would you prefer it if we made that a motion?

1040

**Mrs Palozzi:** I believe we would have no difficulty doing that.

**Mr Jackson:** That is good. That is fine.

**Mrs Palozzi:** We did provide a copy of the full Provincial Auditor's report to all boards.

**Mr Jackson:** Yes. Well, I am sorry, I should not follow up, but I sent a copy to every trustee in my region but they had not received it. I sent it a month later but they had not received it from their board and although the trustee association was referencing it, they did not present complete copies to each trustee. So I think it would be helpful if we ensured that that was shared, directed to the chair and members of the board because, as you know, there is this



little thing that if it is addressed to the chair it is for the chair, but if it is addressed to the chair and the members of the board they are obligated to share it with their trustees. I do not want to get into that little problem, but if it could be clear on the record that this is to be shared with the chair and members of the board, I would appreciate that. Thank you, Mr Chairman. The committee has been most understanding of my line of questioning.

**Mr Cousens:** One question that bothers me has to do with the fact that the York Region Roman Catholic Separate School Board received grant money under the grant eligible microcomputer systems program, which is known as GEMS, and the allocation was based on the number of students in elementary and secondary schools in 1989, and when the board reported to the ministry under the GEMS program, it indicated that the grant was spent as approved when in fact it was not. Instead, \$245,000 was spent for elementary schools while \$812,000 was spent for secondary schools.

If the correct information had been supplied to the ministry, the board would have received approximately \$400,000 less. I see that as a serious matter in a number of different ways and I would like to just take a moment or two to find out, first of all, does the ministry ever try to recover moneys that were directed to a local board under one program and were not spent for that?

**Mr Chénier:** Yes.

**Mr Cousens:** And if that is the case, the problem we are going to have is that if you try to collect it out of the York Region Roman Catholic Separate School Board, they are already at a deficit of \$18 million and so do not be too keen to take it away from them or they will be closing schools and the kids will be in the backyards.

**Mr Jackson:** They will be calling you.

**Mr Cousens:** They would be calling me.

**Mr Jackson:** Exactly.

**Mr Cousens:** And I will be saying, on one hand you are taking money away and on the other hand you are not giving them enough, but there is a fundamental problem to our system when they have taken \$400,000 that they should not have taken. So, how do you deal with that? It is too bad, it is my favourite school board, but we are dealing with a very serious problem.

**Mr Curling:** I thought Scarborough was.

**Mr Cousens:** Scarborough is not my favourite board.

**Mr Chénier:** Mr Chairman, I think that when Mr Cousens asked a question "Do we take money away?" yes, but in the case of York region I will give you an example. Six portables were placed at schools where they were not supposed to be. One was definitely not approved, therefore we will take back whatever money was approved for that portable. The other five, which were put in schools or near schools where they were not supposed to be, we have checked, and yes, there was a need for portables there, so we have readjusted so they do not have to pay for those five.

In the case of the GEMS, there will be a revised approval for the elementary panel, and in the next year this readjustment will be reflected in the amounts they get for

the other panel that was getting too much money. In some other cases, yes, we make a readjustment, and many have been done in the past.

**Mr Cousens:** Well, many or all or to what degree will you be going after—I mean, you may as well take this example. It is \$400,000 that has been used differently than it was supposed to be. Will you get back that \$400,000 for the Ontario government into our general funds?

**Mr Chénier:** It was a revised approval, so I would surmise that that \$400,000 will not be taken back but will be—because what happened is that they shifted the money from elementary to secondary, if I understand the auditor's report correctly. So, what will happen in the coming years, the secondary will not get the amount that they should be getting and elementary will get the—so it will be a balance over two years rather than one year.

**Mr Cousens:** I would have to say that that is not what you would call a good answer, in the sense that the Ontario government has—what I want to do is, if the money is going to be allocated in a certain way, then it should be done in that way, and if they have been given \$400,000 more than they should have been, there should be—we are in a deficit position in the province of Ontario. If we are going to have any integrity to the books, there should be a full and accurate integrity on the way allocations are given and how they are followed through. I think it is rather a nice-guy approach in which we are able to go back and say, "Well, here are six portables and we are now able to justify five." If a board does not accurately reflect the requirement and if it is not approved in the first place, why are you into this business of going back and forth? To me, it is not the way that promotes good business practices.

**Mr Chénier:** I think, Mr Chairman, I may not have made myself clear. The board overspent it, one panel, underspent on the other panel and reported the right amounts as having been spent. For instance, I think the total amount was \$1,057,000. They spent \$1,057,000 but they only spent \$245,000 at elementary and \$812,000 at secondary and I do not have the figures of how it should have been spent.

So what happened is that they spent too much at secondary, not enough at elementary. But we had approved the two amounts separately. Therefore, what we are doing is that in this year, when normally they would get another grant for computers, we will just reduce that amount by \$400,000 for secondary.

**Mr Cousens:** Could I ask the Provincial Auditor some questions on this matter? I am concerned with how you have a procedure for the whole Ministry of Education when you have allocated it one way and then when you find, as you did in this example, \$400,000 that were spent another way. In defence of the Roman Catholic separate school board, I would have to be generally satisfied that they have an excellent system so I am not—but I am dealing with an accounting question here. Is there a methodology that you would recommend or suggest that we as a committee look at for the ministry to recover funds that are not spent the way that they are supposed to be?



**The Acting Chair:** Excuse me for one second. Before you come on, Mr Archer, could you identify yourself for the purpose of Hansard please? Thank you, Mr Cousens.

**Mr Archer:** I was going to ask Mr Mishchenko to address that question.

**Mr Mishchenko:** Basically the answer to the question about the allocation of that \$400,000 is the board was not entitled to that \$400,000, period, based on the way the ministry's formula was set up. The approval was based on \$791,000 for elementary schools using a formula that the ministry has established for all GEMS programs across the province, and using that formula for secondary schools it was \$266,000.

So regardless of whether they switched back and forth, they were not entitled to \$400,000 because, using the ministry's formula, the maximum they were allowed for secondary schools was \$266,000, regardless of what they spent. So the \$400,000 they were not entitled to, period.

**Mr Cousens:** Okay. Is there a way that you can suggest that our committee can—I mean, I would rather do it in the presence of the ministry right now, in case there is some way in which we can resolve this kind of disparity to what they are allocated by the ministry and then the board gets a different amount.

Do you have any recommendations on how we approach this for other situations? What I see coming through from the ministry is the nice-guy approach, "Well, we will go back and revisit it and look at it." I think if someone is going to put in an incorrect invoice for an amount of money from the province, there should be a penalty that goes into that. How can you have a system with any integrity if you do not have that?

1050

**Mr Mishchenko:** The ministry does have a process in place. I guess if it is followed through in all examples or all cases where wards have received more than they are entitled to, the ministry does have a recovery process in place. When there are incorrect enrolment figures or things of that nature, the ministry does recover those funds. So there is nothing different about this method. If you find that the board has asked for more money than it is entitled to or it has received more money than it is entitled to, I mean, it is an automatic adjustment of their grant, and the money is refunded to the ministry or deducted from a future grant, but it definitely is taken away to compensate for any incorrect information that the board has supplied to the ministry.

**Mr Larratt-Smith:** I just wanted to underline that point. I hoped to make it a moment or two ago, but that is correct, and if the money was not properly paid, it is recovered in the ongoing financial relationship that we would have with that board in terms of its grants.

**Mr Jackson:** I think I sensed from Mr Chénier's response that since all this money was spent on computers, it is deemed to be half a sin. It is not a full sin because the money did not go to buy field trips, it went for computers.

We may as well put it on the record that we know that secondary separate schools in this province have this concern about marketing their programs until the full impact

of full funding is felt, and a lot of secondary Catholic schools in this province do not have the capital resources that the public system has. I think I can interpret—and I am not putting words in the separate board's or York board's mouth, but they are competing—they are in portables and the public schools have fewer numbers of portables even though York public has a ton of portables. But I know some of these decisions were made because they want to accelerate access to better programming for the senior panels in our secondary Catholic schools in this province. So it is really only half a sin.

But the dilemma we have is that the auditor has an auditing function and as soon as one board hears that we can bend the rule, the others say, "Hey, we can bend the rule, too." We have to be really careful with this one, because we have to respect the board's need to make sure kids get access to the program but we really have to watch the fact that education and health are the fastest-growing elements of cost and the public is getting pretty angry at us about it.

I think I heard Mr Chénier suggest that for next year's allocation of the GEMS, or the GEMS that are in being now, your method of adjustment might be to say: "Look, boys and girls, you have had enough money for secondary. We will give you money for elementary but we will not give you money for secondary, and that is how we will even it out." Is that the kind of option you are looking at? Am I getting a sense of that, because I think if I was reading between the lines, that is what Mr Chénier was maybe hinting at as an option that you are looking at.

**Mr Chénier:** That is right, that is possible, because in some cases, where you cannot take blood from a rock, as Mr Cousens indicated, alternatives have to be arrived at.

**Mr Cousens:** Is the auditor satisfied that there are procedures in place that—I guess the first element is that, once it is found, the money is recovered by the ministry, and I am hearing the answer yes to that.

**Mr Archer:** I think as far as the recovery is concerned, once it is found, the key issue is how much of this is going on. Remember, we only looked at two boards and there are 123 of them out there.

**Mr Cousens:** That really leads to our next question, as to the surveillance of the way in which money is being allocated, and it is obvious that the Provincial Auditor has identified a serious problem. When it comes to your attention, you are able to act upon it and we can recover the money. But unless you know that—I am just wondering, are there any other ways in which you can assess the amount of money that is being misused within our provincial system? To me we have got two boards and we have seen it in both cases. Therefore, we have got other boards. What can be done to make sure that you are monitoring this more closely? Is it something wherein the auditor of the local board is in there, that you have a special procedure to look for in that instance? Are there any methods that we as a public accounts committee can be satisfied that in the future we are not going to have the assistant deputy minister and colleagues in here to report on this kind of issue?



**Mrs Palozzi:** Mr Chairman, if I might, I think I indicated perhaps yesterday that within the ministry structure and organization there are a number of players who have some responsibility for parts of the process in terms of looking at that accountability relationship. Mr Chénier spoke to the regional office performing a verification process. We have an internal audit branch within the ministry that, through its cycle of audits, incorporates in a program sense looking at the programs, and we intend to expand our capability in that area.

There is a requirement for external auditors. We have discussions going on around ways in which we can look at the use of external auditors to improve our overall capability. There are a number of players in this perhaps evaluation and control mode that we have with boards so that between regional offices, school, business and finance branch, internal audit branches, external auditors and, lo and behold, the Provincial Auditor, I think we have an interesting scheme of different levels of review and an auditing that can go on that can supplement and complement each other. I guess by that statement I am saying that we are looking to expand our role in that whole area. The extent or the speed at which we do that, of course, depends on the availability of resources and identifying all the various responsibilities and clarifying that with school boards.

**Mr Cousens:** The auditor asked—I will cut off as soon as someone wants to get into it, Mr Chairman.

**Mr Hope:** Okay, cut off.

**The Acting Chair:** We do have other people wanting to put questions.

**Mr Cousens:** Just quickly. This was not identified by the board's auditor, and it had passed by them so it was you who picked it up. So, what can we do to cause board auditors to be more conscientious about determining whether or not boards took the moneys and spent them properly?

**Mr Archer:** It is true, as far as we know, at any rate, that the board auditor did not pick this up, but then I do not know that the board auditor's terms of reference would require him to check it. One solution might be to have that built into the mandate of the external auditor, that he check at least a sample of their special grants to make sure that they are spent in the way that they were intended.

**Mr Cousens:** Could that be something, that our committee looks at in the recommendations that we are coming forward with, so that there is a series of guidelines that auditors to boards would be required to follow? Would you comment on that?

**Mrs Palozzi:** We would support that, because in fact we are already looking at that and talking with the auditing community about ways in which we can accomplish that to express those requirements for the external auditors of boards.

**Mr Cousens:** Thank you very much.

**Mr O'Connor:** Just moving further along with some of what Mr Cousens has actually touched on, York region shares some of that with Mr Cousens representing that area, so I do have concern in there. The \$18-million deficit

in that area I am sure has a lot to do with the substantial growth that has taken place. It is the fastest-growing region in North America right now.

**Mr Cousens:** It was before we got this recession.

**Mr O'Connor:** It was, yes. Anyway, right now, it seems to be the way the grants are allocated and the tendering from that board seems to be—there was some sort of problems and a watchdog or a committee, as has been suggested, to take a look at some of the programs—the GEMS programs, the portables, transportation. There seems to have been a problem with transportation there, leading to upwards of around \$1 million there alone, and that some savings could have been had for that board in particular—and enrolment grants and any other grants that they may be receiving. Is there any way that the ministry has of following up on the grants that they do receive? Perhaps you could share some of how that works.

1100

**Mr Chénier:** There will be further audits. When boards have been audited and there are discrepancies, there are follow-up audits the next year and in following years. I think in the case of many boards in the province, and especially Roman Catholic separate school boards, because they are coterminous with a public school board and in order to be competitive they have to maintain a mill rate that is about the same as the coterminous board, that helps to create deficits also, because they do not have the base to spend above ceilings if they do not raise their taxes to a higher level than their coterminous board. That helps to create rather serious deficits in many cases.

**Mr O'Connor:** Right. What about some of the shared revenue that they might get from businesses and commercial—that tax base?

**Mr Chénier:** They receive an amount, but the amount is not totally equivalent and I think that my colleague—

**Mr Larratt-Smith:** I can speak to that. Currently there is a phasing in, going into the second year of the phasing in over six years, of access to commercial and industrial assessment, generally speaking on the same splits as residential and farm assessments, although there are some variations in the way some of that is calculated. But that is being phased in rather slowly at a one-sixth, one-sixth, one-sixth rate per year, both to protect the shift and to meet a commitment that was made to public boards and to provide this as a gradual increase. So that perhaps is not as useful in an area that has experienced the very explosive growth that York region has.

**Mr O'Connor:** Another area that was pointed to was the hours worked and absenteeism. I do not know whether it is because there are so many people there that the teachers have to take a bit of time off, but in the funding that goes for salaries and stuff like that, is there any way that they respond back to the ministry, where there could be an absenteeism problem or—

**Mr Larratt-Smith:** That is the responsibility of the school board, which is the employer of the teachers, and the collective agreement is negotiated between the board and the local affiliate of the appropriate teachers' federations.



That is not something that we would be directly involved in, no.

**Mr O'Connor:** Right. Just one final thing. The trustees are ultimately, then, responsible for the budget of the board. They also realize too that under the Education Act they are not allowed to operate in a deficit situation. They are in a very awkward position, now being held accountable, as they always should have been. Is there any guidance going to them, some special guidance to try to help them through their problem here?

**Mr Larratt-Smith:** Yes. I think it is fair to say there has been a great deal of discussion between ministry staff and the boards, particularly those that have had difficulties. You are correct, they are not allowed to budget for a deficit. There are provisions where a deficit occurs to arrange for its retirement over a maximum of a three-year period, and in the case of the boards that are having real difficulties, the ministry has been working with them to help them find ways to meet their obligations under the law.

**Mr O'Connor:** Within the next three years from their first deficit occurrence it does not appear that they are going to be able to retire that debt. Will there be further assistance then?

**Mr Larratt-Smith:** Well, the requirement is that they produce a plan that will retire the debt over that period of time.

**Mr O'Connor:** Okay. I guess then I will have to ask the board this afternoon maybe where their plans are at. Thank you, Mr Chair.

**Mr Curling:** I just want to go back to my question that I asked earlier on. I want to tell you, though, that I was satisfied with the response in general, that you responded adequately in general to how we—how the ministry develops a plan in order to share resources. I read the opening remarks by Mr Chénier and in it there is a part talking about the improvements reflected in the ministry's move towards strengthening accountability and you focusing more on value for money.

Mr Cousens and Mr Jackson raised the point about accountability and especially in a time like now, where every dollar counts. So I want to be a little bit more specific. In my opening, first question, I did ask about Lakehead, and I want to be more specific, because there in the separate school board they are planning a secondary school and I think the cost runs about \$6 million. The population it will serve is about 130 students. The local public high school, it is said, has room to accommodate those students in pursuing their secondary schooling. Have we developed in specific a plan where we may not spend that \$6 million, building a school for 160 students, where it could be accommodated elsewhere?

I think that some serious consideration should be taken to sharing the benefits to the students in setting up their programs. So that is \$6 million that maybe could be saved. It is quite possible that the school has got to be built, but it seems to me there is room there to accommodate that without building—without that capital expense of \$6 million for that school. Could you reflect on that for me?

**Mr Chénier:** If you are talking about the transfer of buildings under Bill 30, there is PIC, the Planning and Implementation Commission, which will meet with the board either to facilitate or mediate, or it can go as far as arbitration. What PIC will do will be to try to bring boards at some point to maybe share facilities or, in the case of underutilized buildings, to transfer to the other board in order to not have to create capital projects and at the same time create additional pupil places when those are not required.

In referring to the Lakehead board, I regret that was before I came in as ADM for the learning services division and I do not know what kind of final agreement was reached there. But we are presently involved, or PIC is presently involved, in negotiations in many areas of the province to bring about transfers of schools from one board to another under the Bill 30 arrangements, so that we do not have to spend additional capital money that is not required.

**Mr Larratt-Smith:** I think we should get you the details on the exact status of the \$6 million in the Lakehead board rather than just talk off the top. I would want to emphasize, though, that the minister has made it very clear that she is keen to see boards share to the greatest degree possible and particularly in the recessionary times, as you have indicated, to not be making expenditures that are not needed where a more positive co-operation between coterminous boards will achieve the appropriate result.

Where an issue has been fully resolved and where an agreement is in place, and where money has been allocated in the capital grant plan, obviously it would be difficult to make changes to some of those agreements at this point in time. We would want to get you the exact details on where the Lakehead stands at this stage.

**Mr Curling:** Am I understanding, then, that you will get back to the committee and say, "Here is the status of the \$6 million being spent"? But am I understanding, too, that if you say if it is started but maybe not built yet, it is hard to stop? I was getting that it is very difficult, once it is in motion, to stop this.

**Mr Larratt-Smith:** With respect, I think there is also an issue here of the ministry having received an agreement that has been made among boards. We have wanted in the past to encourage boards to make appropriate arrangements at the local level and encouraged them to do so with some facilitation from the ministry, and that too speaks to the issue of people trying to resolve their own concerns as fully as they can within the sometimes very, very big difficulties that occur within communities as they try to sort out the use of schools that many people have attended over a long period of time.

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**Mr Curling:** Mr Chairman, just bear with me a little bit here because I just want to get an easy answer and I know it is difficult. If the \$6-million project has been approved but not started, because of the good intention that went through all this it is extremely difficult to stop it—is that what you are saying? I was getting that kind of a drift.

**Mr Larratt-Smith:** I think we are working on assumptions here. I could perhaps just check on a couple of



the figures and give you the information much more clearly. If the committee goes on to something else I could come back in about 10 minutes and I can—

**Mr Curling:** I do not want an answer right away, if you could look into it and come back and give us a status report.

**Mr Larratt-Smith:** Yes.

**Mr Curling:** That is not where it stops, itself. If there is some recommendation to say yes, some of the programs and some of the resources can be accommodated but because we have approved it before we cannot stop it, I would like to see that—where the possibility is yes, that could be stopped and we could save ourselves millions of dollars. I know, of course, that there may be local outcry, but I tell you that the Treasurer will be happy to know that resources can be saved, can be accommodated, that a couple of million dollars, maybe \$4 million could be saved, maybe \$2 million already down—I do not want to call it down the drain, but the fact is that if the report comes back, could it state actually whether or not one should really proceed with this, that all the resources can be shared around the community?

**Mr Larratt-Smith:** I will undertake to get what information I can.

**Mr Hope:** Just sitting here listening to some of the conversation, and looking at the auditor's report, it should have been something that should have been done years ago. As I sit here and listen to where most of the questions are coming from, I guess I ask a lot of questions in my head about why were these questions not asked years ago to make sure that some of the problems that the auditor has indicated were not addressed in previous years. As I look at the auditor's report and I hear a lot of the conversation—

**Mr Bradley:** It must have been a weak opposition in those days.

**Mr Hope:** —a lot of the conversation taking place—

**Mr Ruprecht:** Didn't you understand what he said?

**Mr Hope:** Some of the things that are put in here as far as recommendations are concerned, because we are dealing with people who are elected, not appointed to boards, and we talked about the trustees back in our communities and if we start holding a club over their heads, I guess, we are going to hear a cry from those. But I guess until recently under the whole issue of taxes, as school boards have become a public identity in themselves in smaller communities—I do not know about larger communities but I know in smaller communities—they have become in the public's eye and there is an interest by the people in the area about the school boards and their jurisdiction. It is called in my community—I am speaking on behalf of some of the people in my constituency—the old boys' club, but it is not all made up of men. But it is just that the responsibility to the community was not there. How many people actually voted for school board trustees? I know this question comes out and as it becomes more of an interest we are probably going to see a change of structure in a lot of municipalities in their school boards.

I understand the interests of accountability of provincial dollars going to these institutions, but as we start putting more restrictions on those boards, are we letting those elected officials be responsible for their actions. As I hear about an auditor, an auditor, an auditor, we are creating a line of bureaucracy as we keep going. I guess my question to you is, are we not creating more confrontation than we are trying to solve a problem?

**Mrs Palozzi:** If I could try to comment on that, I spoke in my remarks yesterday about the dual accountability of trustees to their elected officials and to the government of Ontario for the transfer payments that are flowed to boards. I think that every level of government is open to scrutiny both by the public, its electorate, and obviously, control mechanisms: a Provincial Auditor, many types of mechanisms are there. So perhaps on the one hand, strengthening some of those mechanisms at the local level is not necessarily an extra—I think you referred to holding a club over their head. Perhaps there are ways in which, however, we can develop those mechanisms and implement them collaboratively and co-operatively with the local school boards. That will make it more palatable to some extent and make it more understandable.

A clarification: One of the recommendations, I believe, in the Provincial Auditor's report was around roles and responsibilities, and trustees' understanding of their roles and responsibilities. I think that it is all in there together. I think my answer to your question, "Will that create more tension, to some extent?" is that I think it can, in the sense of a change in the operating environment, but perhaps if we approach it in a co-operative and collaborative way and with an understanding that accountability, as Mr Jackson suggested earlier, is a very common theme and a very important and strong one across the government, given our economic environment, and so that we all, presumably, want to be doing the right thing, and so, yes and no. I do not mean that to sound like a vague answer, but I think it is a complex sort of question that you pose.

**Mr Hope:** Yes it is. Thank God for the auditor's report that we have some direction now that we can take to make sure we clear up a lot of the problems.

I am not and I do not plan to be an expert on Bill 30, but there are some questions and I heard some of the comments, not necessarily what I am reading today, but what I am hearing out of the comments that are coming from both sides—that side and that side; not this side—about some of the things that are dealing with the sharing of facilities or the sharing of equipment between the two school boards. I am not an expert because I have not been out of the school system all that long. As most of them have stated, they have sat as school board trustees for years. I am not that fortunate.

I guess my question would be, is it going to be as easy as the words are being put out, because of the—how would you say?—turf of the school boards and being more co-operative and sharing? Yes, we talk about the economic hard times, but I guess when you start stepping on my turf then you have got problems and is it going to be harder than the words being said?



**Mr Chénier:** I think it is obvious that, if you have been reading the papers lately, and probably in every part of Ontario, most of the members here probably have a school accommodation dispute in one part of their riding or another. It is difficult. I think the whole idea of ownership and turf is very apparent in the negotiations or facilitation that is taking place. But in some areas agreements have come quite easily. Also, I think it depends on the relationship between coterminous boards, and sometimes among personalities on the coterminous boards that are going to share or transfer buildings, and so on. I do not think there is a pat answer, but—

**Mr Hope:** How would, then, deal with the right of the teacher, who is part of an organization, who has also rights? Are we going to be making sure that we make appropriate changes or appropriate requests that are going to deal with the teachers themselves, as far as their jurisdictional rights are concerned?

**Mr Chénier:** When it comes to Bill 30, when there is a transfer of a school, an en bloc transfer, if you want, the teachers transfer with it, and for a number of years after, if it is the public school transferring to the separate school, the teachers who are redundant in the public schools automatically have a job in the separate schools. So there is job protection for the teachers who are caught in a situation where a school is transferred.

**Mr Ruprecht:** I wanted to ask a question in terms of the process and perhaps progress this committee has made. On the handout that I think the ministry gave us this morning, under section 3, you talk about transportation. That is your handout, correct? You indicate that the ministry has adopted—that is what it says; I am reading from your handout—“has adopted the Provincial Auditor’s questionnaire, challenging boards to consider practices which will result in better utilization of transportation dollars.”

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My question here would be, when you challenge boards to consider practices, are you going to do that from now on, or when have you adopted this practice? Is this something that has just come out since yesterday, that you have now accepted Mr Archer’s recommendations?

**Mrs Palozzi:** Vis-à-vis the transportation issue, in terms of the Provincial Auditor’s questionnaire, I think it is an approach there, encouraging and challenging boards to look at their own practices.

**Mr Ruprecht:** So you are going to do that from now on, is that right?

**Mrs Palozzi:** In terms of the transportation area? Yes.

**Mr Ruprecht:** From now on?

**Mrs Palozzi:** Yes.

**Mr Ruprecht:** Sorry I interrupted you, because I have another follow-up on this.

**Mrs Palozzi:** No, that is fine. That was fine.

**Mr Ruprecht:** Okay. So when you say you are going to challenge it, right, there is no—you have not mandated it, so I suppose there is a big difference between challenging a board and mandating the board. So when you would challenge the board, what will you do? Will you simply

require them to fill out a questionnaire that the auditor has structured?

**Mr Larratt-Smith:** I just came in, in the middle of the question, so I hope I have captured it all, and Mr Ruprecht may want to come back to me on this. What I was indicating was in response to the concern that the Provincial Auditor had expressed in his report, that the policy behind the transportation grants was such as to not encourage a degree of efficiency and sharing, because the marginal dollars in the transportation grants, existing transportation grants structure, was such as not to give the board any advantage in acting in an efficient way of organizing its transportation system. I had indicated that that is one of the issues that will be addressed in the 1991 GLG, which will be announced shortly—a change in that, which will not require sharing under certain conditions but will make it much more advantageous from a cost point of view for boards to be working together wherever possible.

**Mr Ruprecht:** Well, thank you very much. I think that you are answering that question okay.

Then let’s go to the audit committees again—one of, I guess, our favourite subjects, Mr Jackson. You are saying in the audit committees that the ministry collects information, but the audit committees are not currently mandated in the Education Act. But your final paragraph says, “We will encourage the establishment of audit committees and other mechanisms to ensure accountability.” Again, you are going to encourage auditing committees. Now, unless I missed it when you answered the question that Mr Jackson raised, what will your procedure be when you say you will encourage auditing committees? In other words, I can see a number of options that you could exercise. Which of these are they going to be, when you say you will encourage them? Finally, or (b) under that question, I suppose—that was question (a) under that section; (b) would be, when you encourage the school boards to do the audits, are you empowered to enforce your own recommendations?

**Mr Chénier:** At this point, audit committees or audit mechanisms outside of the regular are not legislated. As you know, in the act—I cannot recall the section, I think it is 193—they indicate that there are committees that are statutory committees of the board. This is not one of them. This is why at this point we are talking encouragement. In other words, if we wanted to make audit committees or other audit mechanisms mandatory, we would have to legislate it.

**Mr Ruprecht:** But how would we encourage them? That is my first question. How will you go about encouraging them? What is the process? Are you going to call them up by telephone, or are you going to send them—what are you going to do to encourage each board? That is what I understand, you are going to encourage each board?

**Mrs Palozzi:** There are—

**Mr Ruprecht:** All the boards.

**Mrs Palozzi:** Shall I try to respond to that?

**Mr Ruprecht:** Yes, sorry.

**Mrs Palozzi:** Okay. There are a number of things that we deal with with school boards from a point of view of trying to encourage and motivate and move boards along



to certain behaviour. That applies to a whole range and host of behaviour, and there are mechanisms such as sharing information on best practices, such as holding information sessions or training sessions, sharing, providing, developing a set of guidelines that they can use without going to that final step of legislating or mandating or requiring them to do something.

Many of the things that we believe we accomplish and we accomplish well relate to our process of encouraging and working with boards to get them to achieve the kinds of things we set out. So there are mechanisms in place and our regional staff would establish forums where they meet regularly with school boards and discuss issues and on those agendas, information—in fact audits—these audits have been discussed and the fallout of them and the kinds of issues, the learning that occurs from these kinds of experiences. So we believe we have a number of mechanisms in place to deal with that and we use them differentially depending on the item that we are dealing with.

I think your (b) question was around the power to enforce when there are findings when you do an audit. When there is an audit and there are findings and we are empowered under the Education Act in terms of requirements that are the expectations of boards, and it is within the act and we are empowered to the extent that that act specifies.

**Mr Ruprecht:** I appreciate your answer and I realize that you have to strike a balance here since you are not legislated to do that, in a way. But I want to switch, if you will permit me Mr Chairman, to Mr Archer just very briefly, and ask Mr Archer perhaps, are you somewhat encouraged, not satisfied I guess, encouraged that this practice will provide you with enough information or with enough force, I guess, to do your job? Or will your recommendation, let me rephrase that then, will your recommendation be satisfied with this kind of action that the ministry will pursue?

**Mr Archer:** Well, we are certainly very encouraged by the reaction of everybody to the audits of school boards and in particular to the ministry's actions, and we recognize, as you mentioned, that it is a very delicate situation. There is a middle road that has to be found because we are dealing with two bodies, both of which are separately elected by the public. We feel the tone of the ministry's comments is one of encouragement as opposed to mandating, and I think that is the route that has to be followed.

Our reading of the situation out in the school boards is that they are willing to get assistance and to be encouraged and to try to improve the situation, so at this point we are quite pleased with the results that have come out of the audits we have done.

**Mr Larratt-Smith:** If I might, Mr Chairman, earlier on Mr Curling was asking about the Lakehead situation and I was being very cautious at that point in time because with these individual circumstances it is hard to keep a handle on all of them and it is also very important to get the information correctly. Mr Curling and I had a brief word about it. I think I can give you information both on the Lakehead and on the Kenora situation, which was the other one that he mentioned to me.

In the Lakehead there is an agreement that is fully in place, and two schools have been transferred from the public board to the coterminous Catholic board. The province, as part of that agreement, provided some money for the upgrading of schools on both sides of the equation so that there is, I think, a strong sense in that community and certainly a sense in the ministry that that is a solution which has been achieved and has had benefits on both sides.

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The Kenora situation is a little bit more complicated in that there is not an agreement in place. The Catholic board has extended but has not had its own high school and is currently operating in portables attached to a senior elementary school. What is in fact happening right now is that there has been an allocation for a site and for some dollars, which would serve to build a small high school to accommodate the Catholic students. But that is being worked on at the moment by the ministry and by the ministry's regional office with both boards, with a view to trying to maximize and improve all of the facilities for both boards in that community, really taking into account the elementary as well as the secondary schools.

So that is still a set of discussions that are in progress with really the objective of maximizing the plant on both sides and the availability of schooling. The Kenora public board, for example, is receiving some money for some new tech facilities and there is already an agreement, I understand, that the Catholic board students will be able to share in the use of those facilities.

That is the kind of solution that we are looking for in the Kenora situation and hopefully the money, which would be spent by the ministry, would be part of producing that total solution that would cover both boards and would help renovate and upgrade and make appropriate the facilities that both boards would have to offer students.

**Mr Curling:** For my own explanation, a supplementary to that, Mr Chairman. Am I understanding, in what seems to be a difficult situation that we have here, that the separate school board, you said, has no high school there and so therefore it is making its mark as its first high school in Kenora. Is that it?

**Mr Larratt-Smith:** Well, I understand they are currently operating a high school, but in portables and with some of the facilities in a senior elementary school. That is right.

**Mr Curling:** The ministry must have done all this looking at whether or not there are some public schools that could be taken over and established as a separate school, but I presume the separate schools do not want that. They want their brand-new, nice school and it would be an easier thing to build a nice school, establishing the first separate school high school there.

**Mr Larratt-Smith:** I believe there are some very old schools in that community and part of the issue has to do with which schools can best be renovated, which schools should be taken out of service and how should that best be done to accommodate a population that is roughly two thirds in the public system and a third in the Catholic system in a way that will work for both of them. It would



appear that the discussions are going on the basis of a very small, largely academic secondary school for the Catholic students and then providing some degree of access for them to the tech facilities that the Kenora Board of Education is going to be putting in place. That again would meet the kind of criterion that our minister has indicated an interest in, of encouraging sharing and encouraging working together so that the community sees these accommodation situations as win-win rather than win-lose situations.

**Mr Cousens:** I understand the staff were going to give some insight on board sharing this morning. Were you going to table some report on examples of board sharing today?

**Mrs Palozzi:** Board sharing?

**Mr Cousens:** Where you have board resources that can be shared one board with another. Was there going to be any further elaboration on that today?

**Mrs Palozzi:** I do not recall that we were to give examples.

**Mr Cousens:** Okay.

**Mrs Palozzi:** I recall your question around, "Could you give examples around value-for-money initiatives?" Mr Chénier, I think, started to give some examples and sharing of resources was in that response. I suggested that we would come back to you with some examples of the types of value-for-money initiatives that we attempted to lay out for you here. I apologize if I did not understand that you wanted examples of boards sharing resources. We certainly could provide that information to Mr Cousens.

**Mr Cousens:** I think that would be helpful along the way because, in the auditor's report—do not worry about that; to me, it is something that we are going to want to look at—there is a section under page 121 of his report: "more sharing of board resources should be explored." One of the points the auditor made there was that "there were insufficient ministry incentives for sharing." That could be a financial incentive; it could be reward incentives. Could you comment on what your ministry could do to respond to that expression of concern that was tabled by the Provincial Auditor?

**Mrs Palozzi:** You are quite right in that it could be financial incentives. Very often, the most effective thing that an organization can do is to provide the co-ordination and bringing together of the interested parties. I can give you, for instance, one example in the area of information systems development where within the ministry we work with some boards in terms of looking at and developing information systems that they require for administrative purposes. There are other examples where, given a level of resourcing, it does take effort to co-ordinate and to put staff time to identifying those issues, bringing the boards together.

I think I referred earlier to processes of information sharing, sharing of best practices, developing guidelines, providing training sessions. Those are all mechanisms that can be used and I think the statement is a valid one made by the Provincial Auditor. There are probably, in all sorts of ways, in all kinds of organizations, endless opportunities to some extent where you could maximize the collective

resources of that organization. It does become a question of what level of resourcing does the organization have to put to that and in what order of priority. What sorts of issues are at the top of the list to tackle first? But there are a number of ways, including financial incentives.

**Mr Cousens:** I think the auditor has put his finger on something that could be a political issue, maybe after there are a few more funerals, because it is going to take a few more people to fade away before we are going to see one system of education where both public and separate will retain their own unique systems within the school, yet there could be one common administration. That is when you would have a far larger amount of sharing going on and it would take legislative authority to institute that. It is quite a step in a direction that is beyond what we have done earlier.

But I have to suggest that the ministry and boards would be well advised to try to find voluntary methods of having sharing of resources in as many ways as possible because I think it would do an awful lot to take the wind out of the sails of those who might otherwise try to legislate a common administration between both public and separate. I think it will happen unless you start seeing something going on at the local level. The auditor is a very careful person with his staff not to make political statements, but I would say that this one comes very close to someone's political agenda. I just would be interested in your little comments if you have any. I realize that you might well be in trouble if you say too much.

**Mr Larratt-Smith:** I do not think that is the case on this issue because the minister has been quite clear in a number of public meetings that she has had that she wants to encourage sharing at a community level of people deciding that they can make these things work at a community level within the framework of all the constitutional rights that we are aware of. She has asked us to look at trying to reduce some of the artificial impediments which, as Dina said, are not necessarily—one of the aspects is financial but sometimes it is not financial; sometimes it is simply because of rules in place more complex to work with another coterminous board or with a local department of recreation or on a common facility, for example, things of that nature. That is something that we are actively looking at right now so as to enable communities, particularly in a time when money is scarce, to be able to continue to deliver their program and to meet all of those rights and obligations, but to do so in as efficient a way as possible.

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**Mr Johnson:** It is interesting being on this committee and wanting to pose a question to the presentors. Of course, you listen to other questioners in the interim and maybe it modifies somewhat what you want to ask or maybe it confuses you sometimes, I would even suggest.

I think that, as I have listened to the conversations today, something that has come to my attention is the fact that there is a funding need and a funding non-need. It seems to depend on the fiscal situation that the provincial government finds itself in. There are times when it is easier to get funding and times when it is less easy to get funding



and certainly I guess we would find ourselves in a time when it is less easy right now. However, I had always perceived there to be a need for accountability in any expenditures the provincial government made, and certainly I realized that school boards like their autonomy and their elected representatives may or may not be competent. But I would like to suggest that, by and large, they would run a competent organization. When I look at some of the statistics that I have got as a result of the audit, I see there are some shortcomings and certainly the audit that the auditor has made points these out. Until that point in time, I guess it would not be exactly clear that there were these shortcomings.

I am a little concerned when I see there is a school board that has a deficit situation and that it has been stated to be illegal. That certainly concerns me. I know, having worked for the government in another capacity for a number of years, that there are budgets that ministries look after and certain different little bailiwicks around the province have their own budgets. There came a time in the year when it was, in good times, when there was a lot of money flowing out of the government coffers, when it was easy to access these funds. Some of the non-need funding, I would call it—or let's call it unnecessary funding; we could even call it frivolous funding—would be made to certain ministries, or by certain ministries to their agencies out and around the province. That has always concerned me because it seemed to me that that was not good representation by those agencies or by the ministries of the funds that were made available to them. It concerned me because I always thought that there was a better use for some of the funds that were available. I could go on and on about this, I have no doubt, but let me get right to the point. Mr Curling, for example, said earlier that at this point in time every penny counts. Well, I would like to suggest that at any point in time every penny counts, except that sometimes there are more pennies to count than others.

**Mr Curling:** Profound, profound.

**Mr Johnson:** Having said that, the question I wish to ask is: We have an example of a school board here that has a deficit or debt of \$18 million that costs them a substantial amount per month to service. Is this a usual occurrence? I am not familiar with this, of course, so I have to ask this question. Is this a usual occurrence? What kind of frequency does it happen with? What kind of assistance do the school boards get with regard to this and do they get out of these deficit situations?

**Mr Larratt-Smith:** There are provisions in the legislation for what is called an undue burden grant where boards have a highly unusual burden placed upon them. However, in the specific kind of situation, the deficit situation that York RCSS and a number of other boards have run into in the last several years, it has really come as a result of some of the changes over the last few years. There is no regular ministry program available to meet those particular problems. The assumption in the act and in the regulations is that school boards are responsible, within the reasonable limits, for managing their resources so as not to have a deficit. They have the taxing authority locally, somewhat

constrained, as my colleague says, by the coterminous situation, but none the less they have that authority. As long as it is not something that is completely outside of their ability to control, it is their responsibility to manage their budgets within the ability of their revenues. So the Education Act and the ministry's granting policies do not provide a special way of handling those situations where boards do not choose or find themselves constrained to the point where they do not meet those concerns.

There were a fair number of boards—26, I believe, in the last year or so—that were expressing difficulties in their preliminary material to the ministry about being able to meet a balanced budget situation. As I indicated in answer to an earlier question, we have been working very hard with those boards under the conditions of the legislation as it exists, which requires that they not have a planned, budgeted deficit, not be in a situation where they are not working toward overcoming a deficit in the three-year period. So far, we have been very pleased with the responsiveness and the commitment of boards to try to do that, working towards that kind of a plan. That is the situation, as I say. The only exception to that would be the undue burden situation, which would not be something that would have been considered in the context of, say, the York region board.

**Mr Johnson:** There is an expectation, I am sure, among boards of education that certainly they have criteria to meet and a formula they use to receive the funding from the government. But an impression I have—and I may be wrong—is that there is a lot of money at Queen's Park and it is available and we apply for that and we get it, given the parameters of the criteria and the formula.

**Mr Larratt-Smith:** I think it is important to note that, with the general legislative grants, it is one of those areas of government funding where we manage to spend it all every year. It is not a case where you sit there with a problem, one way or another. There is a commitment that that amount of money will be spent, and it is spent. It is spent initially on projected, and then on revised projected, enrolments. But the expenditure is against the needs of the system as a whole and against this principle of equity, however limited it may be, since it only applies to the underceiling. The basic expenditure, as was being commented yesterday, is something that has not been reviewed in recent years to determine how realistic that amount is. But none the less, it is spent against that principle of establishing equity across the system—equity of resourcing and equity of requirement on the local taxpayer, both for rich and for poor boards.

1150

**Mr Johnson:** I believe, too, that school boards plan a budget and certainly they would, within that budget, identify their needs. I would interpret some of their needs to be frivolous although that may not be the case. Where our school board had real and genuine needs for funding, it is evident too in these audits that there are some shortcomings. Transportation was one that I can recall immediately where there was an opportunity to make some great savings and that did not occur. It might now as a result of this audit.



Again, I just have some concern that there are some things that are not nearly as important, and I would consider non-essential or non-necessary, that are funded, and in the good times they certainly are funded but in times of restraint they would tend to be overlooked or maybe shelved.

What I want to know, just for the final part of this is: If a school board gets into a situation—where I understand they have a tax base that they draw from, and there are many ways in which they can raise money to pay off their debts or, in fact, pay their interest on their debts—is it within the legislation, or is it something that any government would have to worry about with regard to bailing out a board of education because they got themselves in such a mess that they could not see in the future an opportunity to become again in the black?

**Mr Larratt-Smith:** That is not a circumstance that we have had to contemplate and, as you say, the main reason for that is that school boards do have access to a tax base of their own, which makes them quite different entities from something like a community college, which is entirely dependent upon funding from external sources. It also means that locally elected trustees have the responsibility to make those decisions, particularly the decisions outside the area of direct ministry funding, about what they are going to spend money on. That is their responsibility as long as they are not breaking the law, as long as they are not spending money on things that they are not allowed to do. I think we have to respect that.

I think the entire context of this conversation is one of moving rather gingerly in this area of dual accountability, of not wanting to be remiss in the spending and accountability for provincial money that is going to school boards—a very large amount of money—but, at the same time, to be wanting to protect and even enhance the accountability of the local school trustee. In fact, I think it is in that context—coming back to the opening statements that we made—that we are particularly pleased to have this kind of report, because the Provincial Auditor has, over a period of years, moved into the area of transfer payments in a much more proactive way. That is useful to us because it provides a very high-profile signal to school boards about the accountability they owe the province. It also enhances the kinds of directions that were outlined in one of the many documents that we passed around this morning on our plans—which were submitted to the Management Board—about how we want to improve the level of auditing and accountability around the specific things that are the key elements in our grants: things like enrolment, the transportation activities and some of the more specific areas where the ministry requires either an output or both a level of expenditure and an output as part of the money that it gives to school boards.

**Mr Johnson:** I agree. I think that the audit process is very important, and in fact I am surprised to know that it is only recently, or appears to be only recently, that it has been as extensive as it has and as conclusive as it has, and I would like to see that increase, personally; I would like to see more audits done. I think ultimately we do have a great responsibility to the people of the province and the accountability of expenditures made.

With regard to the municipal tax base, that does not directly affect us at Queen's Park, but indirectly it certainly does. I think you are aware that at present there is much concern across the province with regard to the increases in municipal taxes and the education part of municipal taxes. So again, although directly we may not see the pressure to bail out, if I can use that word, the board of education, certainly within that community there is going to be a lot of pressure to raise funds, and that will reflect on municipal taxation everywhere in the province as people become apprised of difficult situations school boards have. Thank you very much.

**The Acting Chair:** Thank you, Mr Johnson. Noting that we have about five minutes left, I have two more questioners on my list. What I will do is, I will give each five minutes. We will go to 12:05. Mr Jackson and then Mr Hope. Mr Jackson?

**Mr Hope:** Before you go to Mr Jackson, this it may be considered to be a political shot but I was just looking for the information in here, just a question Mr Cousens has raised and I am looking for the answer in here.

**The Acting Chair:** Mr Jackson.

**Mr Jackson:** A political shot. What does that make you, a political pistol or something?

**Mr Hope:** No, no.

**Mr Jackson:** Okay, that is fine.

I wanted to build on Mr Johnson's question. He was moving into this area of deficits, and as someone who spent six years of his life working on Bill 30, and respecting that we had 13 drafts of this legislation to work with and we ran all over the province with Frank Clifford and we did a ton of things, there were some unforeseen circumstances the legislation did not deal with. Having said that, it is my understanding that under very rare circumstances there is a difference between the treatment of deficits between separate and public boards. It is not a general statement, but there is under very rare circumstances. There is also a loophole, it is my understanding, unless it has been recently plugged, with respect to the amount of capital and debenturing that a separate board can undertake for expansion and a public board. Can you respond very briefly to those two points, because it is my understanding—well, I have had it confirmed to me that a substantive portion of the deficits deal with capital, that that is where they are getting into their trouble, with separate boards and not public boards.

**Mr Larratt-Smith:** You are correct. There are some differences in terms of the ability to operate in terms of debenturing between separate and public boards, and that has been brought to our attention. That is something that obviously has to be looked at, as we look at other things in the legislation. What was the other part of your question?

**Mr Jackson:** The ability to conduct a deficit. It is a lead-pipe, closed issue in the legislation. Public boards cannot have deficits. There are very rare circumstances, but the legislation does provide a small opening for separate boards under very rare circumstances. I do not know if that loophole has been blocked. Mr Chénier, as a former director,



might be more familiar with this clause. I cannot recall the number. I used to have it memorized.

**Mr Chénier:** What it is, is that the separate boards are not tied as closely to the Municipal Act, I believe. A separate school board can actually debenture without going to the municipality. I think they go directly to the Ontario Municipal Board. Therefore, it is possible for a separate school board to debenture its deficit, which is not possible for a public board.

**Mr Jackson:** But you do get a compounding effect here, which—

**Mr Chénier:** Yes.

**Mr Jackson:** So I just want to put that on the record for those members who do not have the background in education but who are expressing interest in this point.

**Mr Johnson:** I thank you for that.

**Mr Jackson:** I am going to say something now which I have reported to twice in committees before, and it is not pleasing to either public or separate boards, but again I am revisiting this issue of the problems inherent with Bill 30 which have manifested themselves with problems in education delivery and accountability. We did not start on a level playing field in this province in 1986 and we did not have as strong an accounting base as we believe we have today. I do not want to be too critical of separate boards, because their deficits are a clearly understood function of some things that happened in this province. Public boards, by and large, had large reserve capital accounts. The rules were changed. School boards could sell a surplus school and put it in a bank account and use that for renovations.

1200

When, under Bill 30, we had this process of the government saying—and the Liberals did expand capital very much in this province—“Look, you’ve got a lot of money in the bank now,” some school boards were sitting on \$90 million; \$80 million or \$90 million were sitting in some of these reserve accounts in the largest of boards. They said, “Well, you build some schools with this money.” The separate board did not have any of that. So as soon as they got the message, a lot of the public boards went out and spent their money like crazy so that they could cry poor like the separate boards. And that happened. There were some pretty offensive expenditures; there were a lot of legitimate ones—do not get me wrong—but there were a lot of offensive ones. So then the separate boards got the message that the game was being played differently, so the separate boards said, “Well, we are going to overbuild or we are going to advance some of our construction.”

I guess the point I am trying to get at is now they are in a position so that we failed as a Legislature to create this level playing field, but I now get a sense clearly that we did not have the sound accountability base in place in order to ensure that we could enforce those rules. I am sorry that I have to come back to the recommendations contained in the standing committee because we discussed this point in detail. It is why we said: “Go to the two trustee organizations and get some proper rules for renovation moneys so that they are not obscenely spent redesigning the principal’s personal office, yet you go down the hall

and the chemistry lab is pathetic.” I can show you schools where that occurred in this province. We really need to do a lot in this area, and it will still be three or four more years before we shake it down completely.

But we cannot be too hard on the separate boards for their deficits because we allowed it to happen and we did not catch it fast enough. The auditor, to his credit, has had some insight into this but he would not have picked up all the subtleties of how this has evolved in this province. We are talking billions of dollars here. We are not talking hundreds of millions; we are talking billions of dollars since 1985. I just wanted to leave that on the record. You may wish to comment, because my time is almost out.

One other question, and this has to do with transportation: Simply put, a year ago before the select committee on education, the ministry made a rather extensive presentation to the all-party committee about substantive changes in rules governing transportation. A tightening of the rules was going to enforce accountability. I did not get from your initial presentation any strong restatement of that direction from the ancien régime. I would like to know if in fact that is still on stream, or if it is still a mandate that the new government is suggesting you continue with.

You have, Mr Smith, referenced it once already. But I would like to know if you are proceeding with it in the same terms that you told another committee of this Legislature a year ago, in the kinds of detail about sharing, route, distance factors, urban, rural—you made a substantive presentation to a committee and I think it is very relevant to the issues raised by the auditor and the interest area for this committee.

Transportation is highlighted as a serious matter. Can we get a fuller report on the exact nature of your direction from the minister in terms of proceeding with these regulation changes and where are we at with those? Thank you.

**Mr Larratt-Smith:** There are two parts to that response. On the capital, obviously no one can guarantee at the level of the principal’s office or the chemistry lab that every expenditure was exactly appropriate or was what you or I might have considered exactly appropriate. I think that it is really important. You are right, Mr Jackson; \$3 billion have been spent on capital since the middle 1980s by the Ministry of Education, and the most amazing part of that, I suppose to everyone involved, has been the pent-up demand: that as the amount that has been put in has gone up, so the requirement for additional resources has gone up as well. School boards themselves I think have been quite amazed by this, so I would find it difficult to accept completely your comment that a lot of the funding was frivolous.

Of course the ministry has had a share in some of those reserve funds, because they have gone back to money that was initially put in by the ministry as their share of that money. But those expenditures by and large have been in a context of a very large demand. While there may have been individual instances—I am sure in a system this large one could find them—where the priority on a particular item would not have been as high or as needed as for others, none the less it has been a requirement against a very high, overall demand for improvement in school accommodation.



On transportation, I did reference that and indicated that the details would be part of the GLG announcements in the next few weeks, we hope. I did not make the presentation to which you refer, so you were using the "you" in the plural sense of the ministry. I was not in attendance, so I do not recall the exact words.

**Mr Jackson:** Bill Trbovitch made the presentation before the select committee.

**Mr Larratt-Smith:** Yes, Ron Trbovitch.

**Mr Jackson:** Ron Trbovitch, sorry.

**Mr Larratt-Smith:** The overall direction which was discussed at that time was essentially to move from a transportation granting system where the highest rate of grant currently, or for 1990, is right at the margin, so that there is the least amount of accountability for the school board for the marginal routes that it may add over and above its basic transportation system. The basic intention was and is to move that, to provide the transportation money more heavily in the core grant and then to allow the marginal grants to be the one where the local dollars are shared in, so there is a greater incentive for school boards to operate efficiently, to share routes with coterminous boards and to get some of the benefit themselves of a streamlined transportation system, rather than be asked to

do that simply in order to reduce the amount of money they get from the province.

**Mr Jackson:** I just want to correct a bit of the record. I do not want to leave the impression that all these expenditures were frivolous. I said some were. The point I was trying to underscore was that in the case of these dollars in the public board reserve accounts, the public board could spend that money—100% dollars—on their renovations without really having your permission; nor could you really stop them from doing it. My point was that the separate boards did not really have this option to utilize, so you will see there is a huge hole punched in the pail of these public dollars and the separate people were saying, "We paid into that over the years but now that we have full funding we don't have access to it." That was the fine point and the concern. But the auditing record will show that those funds were depleted at an alarming rate and they did not build new schools with them. This was for renovations. That was my point.

**The Acting Chair:** Before we adjourn I would just like to thank the witnesses from the Ministry of Education for being with us today, and at this point I would like to adjourn the committee until 2 pm this afternoon.

The committee recessed at 1207.

## AFTERNOON SITTING

The committee resumed at 1406.

YORK REGION ROMAN CATHOLIC  
SEPARATE SCHOOL BOARD

**The Acting Chair (Mr Miclash):** Ladies and gentlemen, if we might, I would like to get the standing committee on public accounts going on the afternoon session. I would like to welcome the York Region Roman Catholic Separate School Board. Could I just have the witnesses identify themselves for the purpose of Hansard, please?

**Mr Virgilio:** I am Joseph Virgilio, chairman of the board.

**Mr Bobesich:** I am Frank Bobesich, director of education.

**Mr Sabo:** John Sabo, superintendent of business affairs.

**The Acting Chair:** Thank you, and please proceed.

**Mr Virgilio:** We welcome the opportunity to be here today.

Perhaps to give you some background, I think we were initially shocked that we should have a provincial audit. We did not know what the reasons were or what was expected of us. After the process, I think we were very happy that it happened. I think, from the trustees' point of view at least, it was a good thing and it happened at a stage in our board's history when it was probably most needed. We have experienced tremendous, tremendous growth, and as a result, our administration is really trying to cope with that immense growth. One of the difficulties that we have indicated or that was said, I think, during the audit process is this growth and how we have tried to handle it.

Really, we do not have any experience to go on. No one tells us these things and everyone is just trying to grapple. When the auditors came through, I think they performed a function that we perhaps were not able to do, in the sense that they got into everything. As trustees, sometimes we would like to do that sort of thing but that is overstepping our bounds, and even if we could go and look, we would not know what to look for. So it was quite meaningful and I think the auditors were quite helpful and insightful of what was happening on our board. I mean, they did want to try and learn what our board was all about. I think for them it was a learning experience, too, because we were the first board that they looked at, as well as the Lakehead. So it was a learning experience for all. It was a time-consuming experience for our board. Our people had to give up a lot of time to give them the information, but I feel that it was a worthwhile experience for us. I think that is something the public probably thinks happens more often. People think it is government and everyone looks after us, looks into the accounts, and they do not. We know they do not. As I say, I found it quite useful and perhaps our director will have some further comments regarding the process.

**Mr Bobesich:** Mr Chairman, I have made available through Mr Carrozza copies of our executive summary, which also serves as our intended response to the Provincial

Auditor's report, which unfortunately could not be included in the provincial publication because of publication dates. By the time we received our final report, processed it with the board and replied, it was beyond the printing point. However, there is some information that may be of interest or value to your committee this afternoon. I will not read that entire text but rather highlight a few contents, if I may.

As Mr Virgilio indicated, we were one of the first two boards in the province to be audited. I do not know to what extent we were chosen because of comments we made before a select committee on education funding some year and a half ago in this very room. So today I think I am going to be very careful as to what I say, so as not to invite any other visitors.

Nevertheless, the audit commenced on 14 November 1989 and the final report was not received until 4 September 1990. That was a terribly long period of time. By way of sharing all the information that had been generated, we did hold a series of meetings with the board of trustees and other stakeholders, but primarily I will focus on our involvement with our board. The special board meeting to review the report was held on 18 September 1990, after it was received. Press release of copies of the audit were submitted on 19 September. The board decided to take various aspects of the auditor's finding and send them to the board's three standing committees for further study. Administration appeared before the three standing committees prior to Christmas. We have given a status report since then and will be giving a status report again this June as to what activities and actions are being taken with regards to recommendations generated by both the Provincial Auditor and by the respective committee members.

As we sit here, there is an ongoing review in process of our whole purchasing operation, as well as our transportation operation, and we continue to review all areas and aspects of financial controls. By way of a personal comment, as one of the first two boards, we were into a very new and a very stressful type of situation. Audits at the best of times, I think, create anxiety. Certainly they created anxiety for us. I think it would be appropriate to suggest that the anxiety began to subside as we worked with the members of the audit field team, who were a very professional group of people. We developed, I think, a very fine professional working relationship, and so those anxieties began to subside. However, the time drain on staff was significant, as chronicled in my opening paragraph on that covering page. There were a lot of person-hours involved, and we were then again anxious to see what the final report would read. However, after all is said and done, I think it was a beneficial process, and I think it was net gain for our board, for a number of reasons.

We are one of the provincial boards with a large deficit, and I think it was very important for all of us to satisfy ourselves that that deficit was not in any way attributable either to mismanagement or to misappropriation of funds in any kind of way. I think those two unspoken questions were well satisfied in the context of the auditor's report. It



identified for us a number of weaknesses in areas that needed improvement.

Now, I would like to suggest that we were quite well aware of a number of areas of weakness prior to the audit starting and I would like to suggest that we shared with the auditors, very candidly, where we thought our weaknesses lie and what in fact we were doing, or intending to do, about these various areas. So in the final analysis, although a lot of information was given to us by the auditor, with the exception of one or two things, there were no real surprises for us in the report. I am rather glad of that because it suggested to me that, as an administration, we were aware, fundamentally aware, of our weaknesses in areas that needed some kind of attention.

The report—or the audit and subsequent report filed by the auditor—as you well know, was a very exhaustive and extensive report, and clearly I understand that the scope of investigation of school board audits has been significantly reduced, the focus has been reduced and the time span allotted to field officers of the provincial office to do audits has been shortened considerably. I can well understand that. I would like to also share with you, personally, that the other directors and business officials and school boards in the province are really grateful for that. They are also grateful for the educative role that we may have played in terms of orientating the Provincial Auditor to the school board enterprise. And, notwithstanding some of the areas that we have to address and are still in the process of addressing with ministry officials, there is an unspoken recognition on the part of other school boards in this province that there but for the grace of God go they. It could be any number of school boards sitting here. It need not be this board or the Lakehead board responding to any number of questions and concerns that have been raised by the auditor.

So, as I have said, the report did not provide any major surprises, since the board had been actively involved in restructuring and redefining many aspects of operations, not the least of which were the plant department, the purchasing department and the transportation department. One of the problems we had in addressing the areas in those respective operational departments, however, was lack of resources, primarily lack of money to hire expertise and/or persons to occupy various positions, although we will get to that a little later.

I think also, before I go any further, that I have to underscore the need as well as the fairness of having to read this report in context. I reference comments made by the auditing team themselves in the introductory part of our auditor's report. I think you will find this on page 1 of our executive summary, which is virtually a lift from the auditor's printed document, having to do with the auditor's comments.

I highlight the following: "The board finds itself in a difficult situation, wherein the region it serves has experienced explosive growth in recent years." Our population virtually doubled from 1985-1990.

The board has been relatively assessment-poor, and this situation and condition will persist until such time as the education funding models in this province are redressed and radically changed from the current models.

It must be remembered that there is a limit to the rate of tax increase that any board, and certainly our board, can impose upon its ratepayers. I mean, we are always told that the easy way to balance a budget is to raise the tax commensurate with the outstanding balance between revenue and expenditure. We know, especially in these times, that would be a silly notion to advance in any community.

We appreciate the last paragraph: "The conclusions and findings contained in this report should therefore be read in the context of a board whose staff must devote an ever-increasing portion of their time to the challenges and problems created by high growth. Under these circumstances, the time available for maintaining and strengthening controls over assets and expenditures is certainly at a premium."

So, inasmuch as we were aware of a number of areas that needed attention, we simply did not have the time or the resources to address them quickly enough or vigorously enough. In that whole gamut of committing resources to improve the operational aspects of the organization in terms of efficiency, effectiveness, checks and balances—not the least of which would be a sophisticated information management system, computerization, which we are just starting to get into now—with a student population of 37,000 students and an employee workforce in excess of 3,000 people, we have been hurt by lack of automated computerized systems in our particular board. We are on the mark now, however, and we are making good progress in that area; but it has been a while coming.

So, I think if you put the auditor's report in that umbrella context and recognize our realities, especially since 1985, in terms of growth, in terms of limited resources, in terms of a frenetic pace, it is not too difficult to understand that we did not achieve the level of checks and balances that we might have achieved under different circumstances.

I also suggest that inasmuch as we are responding to each and every one of these suggestions advanced by the auditor to one degree or another, some more vigorously than others, we will not achieve the desired level of checks and balances in all areas until such time as the aforementioned educational funding issue is redressed.

1420

This evening we are off to a special board meeting starting at 5:30, struggling with our budget again. Our mandate, of course, is to balance our 1991 budget. We are carrying a deficit of some \$18 million into this budget year. We cannot possibly address with equal vigour and sophistication everything that needs to be done while we are stymied with that kind of purse.

So we are clearly hoping that within the next year or so there is a demonstrable change in this area of educational funding. I am not talking particularly for Catholic school boards. I am talking about redressing the situation that exists between assessment-poor and assessment-rich boards; poor boards and rich boards, relatively speaking, and I am not speaking in a denominational vein there.

I assure you—and you can tease this out in a series of your questions—that where the auditors brought problems to our attention, these are being addressed. I am not quite clear on what kind of follow-up the auditor intends, but I dare say that a year from now a number of areas will be



vastly improved over the state they were found in last October, November, December, when the auditors were there.

I talked about this with fellow directors generally across central Ontario and southern Ontario. We made presentations to fellow colleagues in other school boards and generally we believe that provincial audits of school boards should continue and should prove to be beneficial. It is always good to have an external source take a look, as long as that external source has some general understanding of the nature of the enterprise that is being examined.

But in my final analysis, until the funding situation is redressed and made more equitable between those assessment-poor and assessment-rich boards, I think you are going to find that the assessment-poor boards will always have some modicum of difficulty in terms of checks and balances and practices, and that has been manifested in a number of areas in the context of our own report. I suspect that you will probably want to hit on one or two of those in the context of your questioning period, so I will stop there and permit you to proceed as you wish.

**The Acting Chair (Mr Ruprecht):** Thank you very much, Mr Bobesich, for your remarks, especially your comments that your concerns subsided after you met with the auditing team. We appreciate that. The first questioner is Mr Cousens.

**Mr Cousens:** Mr Chairman, I am just very pleased to represent the area that is served by the York Region Roman Catholic Separate School Board. By way of personal comment I would just like to let the members of our committee know that I have had dealings with these gentlemen and their predecessors in their various positions for over 10 years and I know that I speak on behalf of the community to say that the community is genuinely pleased with the kind of service and support that the board gives. I do not think there is anything in the auditor's report that comments on that, but I just have to say that my relations with this board have been outstanding and I respect the job they are trying to do and the way in which they go about it.

I guess to that extent it becomes somewhat difficult when you start realizing that the board is under such duress with its management of its finances, for a variety of reasons, some of which have been touched on by the director and others through their written comments. I have one concern, and rather than make it into a trick question, which I would do normally—

**Mr Hope:** Oh no.

**Mr Cousens:** Now, Randy, today I am going to behave. I am taking lessons on it.

Yesterday we had a presentation by the Ministry of Education, and one of the things they said was, "All school boards in Ontario must have equitable financial resources to provide a base level of education programs and services." That is one of the principles that underlie the granting of provincial funds to school boards: that all school boards in Ontario must have equitable financial resources to provide a base level of education programs.

You have a deficit of \$18 million. The public system in York region has a surplus. How can the ministry come into a committee of the Legislature and say that all boards in Ontario must have equitable financial resources, when in

fact two boards in my area do not have? Could you comment on that? What is the reality for you? Do you feel you are getting a fair shake when it comes to provincial funding? Are you treated the same as a public system? This is the trick question: Are you being forced into being almost crooked in the way that you are putting the books out in order to deal with a ministry that is not being straight in the way that it is giving the funding to the board? Are you being put into a position where it has become necessary to play the game?

To me, there is just a tremendous amount of problems where on one hand everything is going to be equal, and Bill Davis said it, back on 11 June 1984, and then we come along today and we are starting to see the continuation of the long-term battle for boards struggling to provide equal services, cutting back programs. Okay, I do not want to lecture. Could you comment on this?

**Mr Johnson:** How many questions was that?

**The Acting Chair:** I am trying to determine: was this the trick question or was it not the trick question?

**Mr Cousens:** I am not too sure now, either.

**The Acting Chair:** And maybe the word "crooked" you want to withdraw?

**Mr Cousens:** I did yesterday.

**Mr Bobesich:** I do not mind the crooked questions; it is who is asking. No, we have never been crooked. I think we have tried to be creative.

**Mr. Jackson:** Ha! Way to go, Frank.

**Mr Bobesich:** I think our creativity is being called into question in a couple of instances, but I think we want to dialogue around that creativity and clearly and satisfactorily demonstrate that that creativity was invoked on behalf of programs and students, and that will bear anybody's scrutiny.

On the question of a baseline program, I would be interested in hearing a definition of what constitutes a baseline level of education because I dare say that a baseline program in the greater Toronto area bears very little resemblance to a baseline program in northern Ontario. But assuming that we get some kind of consensus on what constitutes a baseline program, then we would have to get a provincial consensus on the cost of that program. And then we would have to have some kind of adaptable formula that would compensate for various nuances across this province.

Now if, in fact, the government comes to a position where it defines a minimal level of services to be offered each youngster in the province or, for simplicity's sake, a baseline program and determine a reasonable financial allocation in support of that, then the next question I would have to want to have answered is: "Will all boards be obliged to live up to that limit of expenditure or will there still be potential for some boards to access additional revenues in some other new and creative ways where there is a greater base of wealth?" Which brings me back to some of the initial ramblings I guess I was on about, and that is the need to critically not only re-examine—because, God knows, we had enough commissions examining education funding in this province over the past decade; we have had a lot of talent look at the question. What really needs to be



done is the fundamental restructuring and remodeling of the funding model.

So it is kind of a hand-in-glove answer, I think. What constitutes baseline? What is a reasonable cost for baseline? And where will the moneys to support those educational programs come from? Will they continue to be heavily drawn upon local ratepayers? Will they be provincially funded in toto? I do not know, but the question is far more complex, and in the last part of your comments or questions there is absolutely no equity between funding of the separate school system and the public school system in York region.

I say that with no malice towards my colleagues there—as you know, we have an excellent relationship—but they are wealthy and autonomous and sophisticated, and the reality for us today is that we are responsible for educating about 37% of the youngsters in York region and at best we accrue 22% of the assessment. Now, if that mathematical difference does not constitute an inequity, I do not know what else does. Even if that portion of the inequity were closed, it would significantly alleviate some of the problems we are suffering today.

1430

**Mr Cousens:** Mr Chairman, I think the director has touched on an issue that, when we are making a report, I would like to come back to and draw a note to it, which has to do with the ministry statement about equitable financial resources and what in fact is happening.

The disparity that we are talking about is very serious. How can this board, based on the inequitable financing it is now receiving for its educational program, escape the deficit financing without at the same time reducing the quality of the program. I have shared this with Greg Sorbara and other members from other areas when we have had meetings with your board. It is one thing that you have now got yourself an \$18-million deficit but how can you get rid of that and still maintain a quality program, which to me is one of the underlying concerns of the whole community?

**Mr Virgilio:** If I may, Mr Chairman. That is the very thing we are coming to grips with right now in our budget meetings, and it is very difficult because, of the 30% of our budget that is discretionary, the other 70% being tied up in collective agreements with our employee groups, it is very difficult to cut anything out of that 30% without having a dramatic effect on programs and on the kids we are servicing.

Most of the trustees are faced with the issue of making dramatic or drastic cuts in programs and in other areas: secretarial time, consultants who would impact on the education that is delivered to our children. We are resisting those changes because we do not want to affect that quality of education that is being delivered. But at the same time, we do not want to be seen as being defiant of the Ministry of Education guidelines in having a deficit, as we were perceived last year. It was not that we were being defiant; we were just simply trying to express the need that our ratepayers wanted for the children, that all of us want. So we are finding it very difficult to come away without having

a deficit budget. We are really having troubles getting to that point, Mr Cousens.

Another thing that we have not touched upon, and maybe you have not touched upon: the inequity that prevails between assessment-rich and assessment-poor and funding. On top of that, we have the greater Toronto area; all the boards are suffering from this immense growth that has taken place in the last 10 years. Just in the last five years, our board has grown from about 17,000 children to about 37,000 children. That is an increase of 20,000 kids. How do we house those people? As a result, in this construction period in the last 10 years, we have incurred a debenture debt of almost \$60 million, and on top of that we have to pay interest on that debenture. Every dollar that we raise in taxes, some of it has to go to paying the interest charges. So we find it very difficult and we want to avoid a deficit in trying to maintain the programs. The whole problem is exacerbated by the level of growth, and we have a great deal of portables in the whole of York region. I would venture to say, and in fairness in talking about equity, that people who have moved into the York region, through land transfer tax and the different taxes that are paid to the province, probably contribute a lot more—the net gain to the province from the people who have paid taxes is unproportional. They are not getting the services in York region, and I would venture to say all the growth boards are under the same concerns. That is one of the key issues that has to still be met, but it is impacting in our particular board and it is impacting upon our ability to deliver programs. The payment of interest is causing us to not have the money to put into programs and in other things. So it is becoming difficult for us to maintain programs without a deficit.

**Mr Cousens:** Mr Chairman, I will take my turn when the questions come along again. I just think it is tough when you have this kind of inequity between two boards as we are seeing, and I think we are going to have to come back to it time and time again. But, unfortunately, this is not the committee to do it in.

**Mr Jackson:** First of all, Mr Bobesich, it is good to see you again. As you have been in before committees of this nature,

not on auditing factors but on and off for the last six years, I have enjoyed your presentations and I am enjoying this one, actually.

I will get to your comment on being creative in a moment, but I want to thank you for presenting it in this fashion so we can read the board response and I would like to flow through that very quickly and engage you with respect to some of your comments.

The first one that catches me is on your page 4 in the budgeting process. I certainly want to enforce and support your response that the timing of final budget approval is a direct function of this province and this has been identified by trustee associations, the business officials and the select committee on education, and we have not received any response from the government. It is clearly an inhibiting factor for accountability that you are on a school year for program start, and yet you are on a government calendar



year for funding, and the taxpayers who fund you are on the calendar year starting January 1. You have to reconcile those three budgeting transfer periods. I would like to bring that to the committee's attention because we might be in a position to recommend, yet again, support for your point, because I could not concur with you more.

I want to ask you, though, and with the presence of your chair of your board, who I again am welcoming to an all-party committee, about the issue of auditing committees. You are very careful and skilful with your wording to talk the difference between your board budgeting process and expenditure under pressure. But audit committees perform a function different from a budget committee. I would like to hear your response as to whether or not you would not feel it appropriate, because of the situation you find yourself in publicly, as well as for the best interest of taxpayers, to implement an audit committee, which would have to be initiated by the trustees if you felt it was a high priority. Could I get some feedback from an elected trustee, chair of the board, if you have discussed it? Do you have one? Are you considering it? Are you being pressured to have one? Could you speak to this committee about that?

**Mr Virgilio:** I was the chairman of the audit committee up until two years ago when we disbanded that committee and we restructured the procedures at our board into three committees. I would venture to say that my experience on the audit committee was not anything like the scrutiny that we put to our administration when it comes to our finance and property committee. I understand what you say about a budget, but at our finance and property committee, we really and truly delve into all areas. I do see a need, though, for a smaller group that would delve into matters more deeply, but one of the things we find is that time is such a premium in our board for the meetings that we attend. It just gets to the point where it is overburdening, but we do perform the functions of an audit committee. Whether a smaller group that would examine things more deeply would be more beneficial, it is something we have to consider, but we really do look at all areas. At the budget time, yes, the two may be different, but I think we do give it a good airing at our board.

**Mr Jackson:** It begs the question what your auditing committee did prior to two years ago. You may not feel comfortable responding to that.

**Mr Virgilio:** Well, we had the terms of reference of the time.

**Mr Jackson:** Could you table those with the committee?

**Mr Virgilio:** Sure, we can do that.

**Mr Jackson:** I certainly would be interested in looking at those, but having been a trustee, as has Mr Cousens and yourself, we know the old adage that the administration likes to keep us busy reading papers and away from the more meaningful aspects of accountability. That is well known. You know the old saying, "Treat us like mushrooms: keep us in the dark and covered in manure," and there is a lot of truth to that amidst the humour. Sure, if I was an administrator and I wanted to keep the trustees busy, I would keep them on a property and finance committee, but

not necessarily on an audit which looks at systems and procedures.

**1440**

That is only a personal comment. I do not want to monopolize the time but I do want to get to the four points that struck me in your report. I am fascinated by your response to payroll and employee benefits, the issue of giving full experience credits and full granting of grid movements for half-time teaching. My understanding is, there are very few boards that are doing that. You indicate in your response that the practice will be reviewed and maybe changed.

That causes me some concern because you go on to say "subject to a legal interpretation." So, having bargained extensively in collective agreements, do you have—I will call it what it is—an under-the-table agreement with the teachers' federation not to touch this, therefore not to put it in the collective agreement, just leave it alone? I feel justified in asking the question because I know they exist. I am not saying they exist in your board, Frank, but I certainly would like to question why you may change it subject to a legal interpretation when these matters have been resolved board after board all across Ontario.

**Mr Bobesich:** I will try to answer that. This is one of the surprises. I completely forgot about this practice that was instituted in 1972. I had been part of the board but certainly I did not follow negotiations or contractual matters tightly. So when this was printed and I sat down with staff, we reflected on how this happened, and years ago this was an incentive to attract especially part-time teachers when we were introducing kindergarten to the far northern portions of York region.

Years ago it was hard to get part-time people travelling up to the north end of the region: Simcoe, Sutton, Keswick. It is reversed today; everybody wants to live up there, so we do not have the same need for the incentive. So it was introduced for a reason—

**Mr Jackson:** And for surplus and redundancies. That is how we used it in Halton.

**Mr Bobesich:** —well, let me finish this—and we just maintained the practice. I suspected it is our fault that we did not critically review this practice or consciously review it. I do not know to what extent it has ever been broached with our teachers' group. I have no idea what their reaction would be to a change in this particular practice, and the reference to the legal opinion was cited because one of our staff indicated it would be prudent to check with the attorneys: because of the long-standing practice in the board, can we simply, arbitrarily, undo it overnight?

So it is being investigated. I would not predict the outcome relative to this particular practice for September. I am not aware of any casual or formal understanding around this clause with the teachers' group.

**Mr Jackson:** I would presume it was a motion of the board to create the incentive and the package, as it was in our board, a board motion, then we entrenched it in the collective agreement

**Mr Bobesich:** It is not entrenched in the collective agreement. I would have to search the archives for the



motion, but it is a topic that is being now pursued and our negotiations just started. What item this constitutes on the agenda, I do not know, but it is alive. It is on the table.

**Mr Jackson:** Mr Chairman, I have only two more, if I can quickly go through those, and then that would complete my questioning.

Asset management on number seven. Can you tell us approximately the figure that you recorded on your books for reported vandalism and theft last year? You know what I am getting at here?

**Mr Bobesich:** No, if we cannot report a figure for theft and vandalism, I guess what I can assure you of is that we do not have any reported incidents of stolen furniture and equipment or desks or chairs. What we have lost is the odd piece of audio-visual equipment and some of the higher tech stuff like computers. And we shared that kind of information with the auditors. If you require, we can fax to you an insurance statement for the year 1990.

**Mr Jackson:** My understanding of the impact of the area that you are very narrowly addressing here is, a limited inventory control lends itself to abuses in terms of theft and tracking and it has implications for your insurance policy, which we also know runs at large and is adjusted in accordance with the kinds of thefts that are reported and those that are claimed. Because the auditor and you may have treated it in a narrow way does not prevent the committee from looking at it in its broader context, and the fact that maybe your finance or audit committee may have looked at it from that angle as well.

If I could finalize with the computers and the portable classrooms, I again want to support you in your second bullet on portables. And I have raised this in your absence before the ministry, support for several of your concerns. I have to suggest to you it is almost borderline lunacy that we are throwing children out of schools, new schools, in order to make room for day care kids. So it is in that context that the auditor has to try and figure out the appropriate and inappropriate use of portables in this province.

However, I do want to ask you a question. "The equipment will be returned to the elementary school panel and/or monetary credit given to the elementary panel when we get approval for new secondary schools and related capital funds for these new high schools." Why would you return the computers to the elementary school when you are expanding the demand for them with new high schools? I am trying to understand what you mean by this. Aside from the other point, which is, "If you give me more money, we will return the—" I could read it two ways here. Could you enlighten us a little more clearly on what you mean here?

**Mr Bobesich:** I will try. First of all, have we dispensed with the second bullet on portables? We are not going to worry about that?

**Mr Jackson:** No, I just want to say you are bang on and this committee should be telling the ministry that they better get their functional rated capacities updated because they are 25 years old in this province. So I discounted the auditor's comments in this area and we talked about that

and he is not threatened or offended by it. He understands the point we made.

**Mr Bobesich:** Okay. Very simply, on the first bullet, it has to do with the grant-eligible microcomputer systems grant. In context, I am sure you will read the fuller text in the auditor's report. The GEM grants were designed to enable school boards to purchase computer and computer-related equipment for both the elementary and the secondary panels of their school systems.

A certain amount was apportioned, or elementary schools were eligible for a certain funding level and secondary schools were eligible for a certain funding level. What we in fact did, because we had some notion of local autonomy meaning prioritize your local needs and spend money accordingly, we took all computer-related moneys under the GEM grant and dedicated it to the purchase of computers and computer-related equipment in favour of the secondary school. By doing that, we violated the letter of the policy statement from the ministry. Now every dollar was clearly spent for computers but the question, or the argument, I suppose, was what right did we have to put those elementary dollars in to the secondary school.

The need was far greater at the secondary school because of the demand on the student population for these programs. Not only for pure computer science programs but for computers which were being introduced and which continued to be introduced and supported, technological programs that were running. We had no other source and so for that period of time we determined the best utilization, given our curriculum priorities, would be to take that money and put it into the secondary school.

The statement in the latter half of that paragraph says that if we have in fact violated the letter, if not the spirit, of that particular law in terms of a policy, then we shall try to redress that situation by either accessing additional capital moneys in the future, which will come on board as new schools are being approved—and they are being approved and they are being built and we will get capital money—so we will take an equivalent portion of moneys and reallocate it—

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**Mr Jackson:** Ah, now I understand.

**Mr Bobesich:** —back to the elementary, and/or we will simply take the computer equipment that was purchased at the secondary level and put it into the elementary level and buy new stuff for the secondary. One way or another, we would try to make restitution or reconcile the situation by using future money. That issue is still being debated with appropriate ministry officials, and that is the only one where I claim, with no small intention of humour, that we try to be creative in responding to our curriculum needs with available provincial funds. Clearly, we did not have sufficient moneys or capital to do it without the aid of those funds, and I do not implicate anyone else; I just know, as I sit here, that this is not a unique practice; that is, creative prioritization is not a unique practice to us in this province, probably shared more often than not by school boards across the province, for obvious reasons.

**Mr Jackson:** I thank you for that explanation. Mr Chairman, I just wanted to bring to Mr Bobesich's attention



that Hansard, for this committee, should be made available to you because we did discuss this matter at length this morning. I did refer to it as a half sin, if you will pardon the expression—

**Mr Bobesich:** We can relate to that.

**Mr Jackson:** Yes. And it was a half sin by virtue of the fact that all the moneys were spent on computers. But if I might lend my own bit of side humour, I could not help but chuckle when you indicated that some of your accounting progress was inhibited by your lack of access to computers. I might have suggested that you have several in the secondary schools that might be useful, but I will leave that good-humoured exchange and thank you for your very straightforward answers under a very difficult set of circumstances. You were the first board in this province, and I think you have handled it quite admirably, and I know that my colleague Mr Cousens agrees with me completely, that you are to be commended by your responses.

**Mr O'Connor:** I want to welcome you here today, and I know that discussion around school boards and funding has been going on for some time, and some members of this committee have been around for some time in that discussion. We hope you do not feel this anxiety needs to be here; I do not think it needs to be. I think you should feel yourself welcome, and try to help us through so that we can make a report to the Legislature.

As I am a York region MPP, I understand the high growth and the pressures you are under, and being parliamentary assistant for the greater Toronto area, the high growth within the whole region is something that we have got to try to get a grip on and try to talk about and be quite frank about and try to see how we can cope with the direction that we need to head in in the future.

There are just a couple of different things that were not talked about within the audit that maybe you could just share a little bit with me. I know you have been quite good in your response as far as the purchasing and the plant and transportation end of things, where there has been pointed to problems that could be part of your deficit. I am just wondering now, in the capital grants and new schools, as far as the funding goes for that, some of the direction that we could go in, and perhaps if we could have a little bit of discussion and maybe can work together on some of these things, if you could share with me the auditing that goes around capital expenditures, because I realize they must respond to the board. Perhaps you could just enlighten me a little bit.

**Mr Sabo:** In terms of new school construction, a great deal of controls are put in place. We do have an approval process through the ministry; you are aware of that. We apply for funding; funding is received. A program that is required or is projected is filed with the ministry, the ministry approves that program and then there is actually a formalized tendering process. An architect is appointed, drawing up the designs, review with the board all the way, through each process; a tender is let, a tender is approved, and then from the point of tender to the point of opening there is a series of approvals of any change orders, etc. Any large change orders are brought to the board if they

are outside the normal municipal requirements or what have you.

That process is completed and we access funding from the ministry in accordance with a specified payment schedule. The differential between what it actually cost us versus what we received in grants has to be then funded through debenture issue. Is that what you want to know?

**Mr O'Connor:** You are kind of working in the right direction. What I am interested in is perhaps some sort of internal audit of where some of your capital money is being spent because of the high growth area, and the circumstances that you face because of that.

**Mr Sabo:** Okay. Capital is defined as pupil accommodation. Pupil accommodation is our largest single source of capital expenditure. That is where we have the new schools, we have the additions, we have the portables. As Mr Virgilio mentioned, over the last 10 years we purchased 267 portables, which are required because of pupil growth. A number of things are out of sync. What is approved for portable classrooms does not agree to what we actually use them for. Collective agreements define class sizes, which define needs for portables. Translating that to the ministry policies, many of our portables purchases are not approved, and in effect we do not receive funding for them, and therefore 100% of those costs have to be borne through debenture issue.

Capital, in terms of new school construction, is the same situation. We are at the mercy of the marketplace. A year ago we were paying \$110 a square foot, we are now paying \$90 a square foot. But this is the first downturn. We were going in reverse, and our projects, for all intents and purposes, like all other boards, were in a situation where the approved costs as defined by ministry guidelines or regulations did nowhere come close to approximating what actual costs are. So the differential—always that differential between what is approved and what we receive in grant—must be levied on our taxpayer, which must then be levied on our assessment base, which is poor in comparison to other boards. Compounding that, there is not a board in Ontario that can compare in terms of growth and magnitude of growth that we have incurred. If you are privy to the school board statistics on debt per pupil, we are off the scale. The average, I think, is in the neighbourhood of \$100-\$200. We are \$1,000 or \$1,200 per pupil, so we are off the scale.

On that kind of capital expenditures we do, since I have been with the board, I have been involved in about 32 projects. We try our best to provide projects that are functional, that are cost-efficient, and I think we do a fair job. There are always those who would argue that you can build a box, you can have a smaller play area, you do not have to have this and that, and that is true. But I think what we are producing and building is comparable to what our coterminous and other boards are building in this day and age.

Other capital expenditures outside of pupil accommodation are those such as computers—the largest one is computers in education—which are our largest purchases. Six years ago we had manual typewriters. We now, only now, effective 1 January, 1991, have a computerized purchasing



system. I, as superintendent of business affairs, up until six months ago did not have direct line access to accounts, because we did not have the computerized sophistication. That is computerized systems, and that is very disappointing, but as the board each year went through a budget process there is not a lot that can come out, and typically plant support or non-educational support items are let go. One of the things that was mentioned by both Joe and Frank is that what this process did was give a heightened awareness to the need for financial controls, the need for documentation, the need to have a file with backup. A file with backup does not do anything for the kid in the classroom. It is just an audit trail and the costs associated with maintaining controls are excessive.

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So, those other capital items really become outfitting of a school. You have to have desks and chairs. Again, the funding that is received per classroom has never been enough to do what we are supposed to do to outfit a school. We have new libraries which, if we spent the money as defined by the ministry, they would be bare libraries. We have to maintain a minimum level. So there is always that supplementary capital funding for the rapid growth. That is the big area.

**Mr Bobesich:** May I ask you a question, Mr O'Connor? It has very much to do with this theme of capital construction and we are awaiting, of course, announcement from the ministry with regards to capital projects and hoping for the best. But we have some concerns, especially in high-growth areas such as York region. I am not only speaking for York but, basically, a consortium of boards constituting the GTA.

We were very much looking forward to some capital assistance for advancing needed school facilities via lot levy legislation. We hear nothing about that. We do not know the status of that. We have some suspicions. But under the same theme of radically changed education funding, I think there is a need to address very critically changes in capital funding, especially for high-growth boards. Until we hear about the status of lot levy or some alternative, we are going to be cast in the same position we were cast in a few years ago when we were building five elementary schools and one secondary school a year, floating all kinds of horrendous debentures and then digging ourselves into a further hole.

I am hoping there will be some kind of response within the near future, Mr O'Connor, with regards to that particular initiative or some companion initiative to assist high growth boards with capital projects.

**Mr O'Connor:** You had mentioned earlier the high-growth board coalition or whatever you call yourself. I have met with several of the other chairs and they have expressed their concerns about the lot levy. It is unfortunate that you did not express yourself to me earlier; we could have shared a little more discussion around that. I am glad that you realize it is necessary that we do talk about this and the government is going to come up with something on that.

I commend you for the terrific job you are doing under the pressure you are under, and I am sure you must have a great deal of difficulties trying to cope with it. One area that I was concerned about and read something about in some of the briefing notes prepared for us was the staff and morale level. I am sure you must have been trying to find Catholic teachers to fill your schools for staffing purposes. You must have a tremendous job trying to locate and hire the appropriate staff. Seeing how that is a high proportion of your budget, perhaps you could share some of the problems you face in light of that.

**Mr Bobesich:** A couple of years ago we were facing a significant teacher shortage across the whole province. We were experiencing additional strain around that shortage in the greater Toronto area by virtue of the cost of living in the greater Toronto area. So when we were combing the faculties across this province—indeed, across the country; we went from coast to coast to faculties of education in pursuit of teaching staff—inasmuch as many young people wanted a job with our board, when they were apprised of the cost of housing and cost of living, they simply begged off. So we were in a tremendous state of worry and activity a couple of years ago.

Last year, the situation was not as bad in terms of the teacher shortage or the demand because the growth slowed down. Two years ago, the growth and the shortage were quite significant in our region—they intersected; the two factors intersected at that same time made a terrible situation. We are looking for a very modest growth for September, and I am not quite as worried about a teacher shortage for September.

I think what is impacting on teacher morale at the moment, or what might be impacting on teacher morale at the moment in our particular jurisdiction, is this horrendous exercise that we are going through right now in terms of trying to come in with a balanced budget, where in fact that process is requiring that we reduce some levels of service, that we reduce some levels of programming—not cut out programming but reduce some levels—and in fact reduce the number of employees in certain departments or divisions. No doubt that is not only causing a morale problem; it is causing anger and stress in some people. I want to read just a small paragraph that was, for once, quoted accurately in a local newspaper about what I think our task is right now, and you, as government officials, surely understand this and appreciate this challenge. I am chiefly concerned at the moment about achieving a balance between maintaining the fundamental integrity of our programs and services—that is in our school system—and demonstrating a concerted effort to exercise fiscal responsibility in working towards a balanced budget. So, on the one hand, I have a group of very dedicated and caring trustees who do not want to cut into programs and services. And the staff was very cognizant of the consequences of not balancing a budget in terms of the penalty we suffered last year. So if you want to talk about morale, there is stress. Ask me about morale and stress.

**Mr O'Connor:** I can share that with you because we, as a government, are also in a deficit situation. Anyway, I



hope you do not feel we are trying to centre you out as any sort of a problem here. We understand the growth situation and the problems you face related to that. We are trying to keep this on a friendly note. Thank you for coming, and keep up the terrific work. You have got a formidable task ahead of you.

**Mr Johnson:** I have listened with a great deal of interest to the presenters here today, presenting on behalf of the York Region Roman Catholic Separate School Board, and I am pleased to know that you had a good relationship with the auditor and the audit process and that you accepted and welcomed the close scrutiny that an audit would bring. I might mention that the universities were not so amenable to that particular sort of audit.

I have listened very closely to what you have had to say today and this is a great learning experience for me because I have not had to deal specifically with these sorts of issues in the past and it is very enlightening. I understand there have been many variables that have brought you into this deficit situation. I am not sure if it was yesterday or earlier today I heard the ministry indicate this equality of funding given a certain baseline, I guess, so I understood there were equalities throughout the education system when it came to funding from the provincial government. Yet I hear today that you have 37% of the students in the York region and only 22% of the funding.

**Mr Bobesich:** Of the assessment.

**Mr Johnson:** Of the assessment. I am not entirely clear on this discrepancy. It appears to be a discrepancy to me and I was wondering if you might be able to share a little more detail. I have listened very closely to what you have to say and every once in a while I thought I was going to understand the situation, given the information you have been telling us and some of the dialogue I have heard. Your indebtedness, as I indicated, is a result of many variables. Is one of those variables the fact that you did not receive a fair proportion of funding from the government? I am concerned because I do not quite understand.

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**Mr Bobesich:** Mr Johnson, we will try to put that in context very succinctly. First of all, to be fair, funding is equal up to the grant ceiling. And let me just guess, it is \$3,500 an elementary pupil right now. I do not know if that is absolute, but suffice. So every kid is entitled to \$3,500 for his or her education. The fact of the matter is, there is not a board in the GTA who educates the kids for \$3,500 a pop. Some are spending as much as \$5,000 a kid. So the few boards who are struggling around that \$3,500 ceiling cannot possibly offer the range of services and programs that wealthier boards who are spending \$5,000 offer. That harkens back to Don Cousens asking what is a baseline program? It depends on where you are coming from, what part of the country you are at.

So, I have to be fair and say yes, it is all equal; everybody is entitled to that grant ceiling figure, both at the elementary and secondary. Where it begins to fall apart dramatically is in the area of a board's ability to raise additional moneys to do an accurate or an adequate job, or a more than adequate job. The boards that have very little

access to assessment have no chance, and the boards that have access to unlimited assessment—like the Metro boards, which do not, in fact, receive any grants at all—they have so much assessment that they do not want the Provincial Auditor to come into their school operations because they claim there is no transfer of payments here. That is an interesting argument, is it not? Nevertheless, the inequities start there. So, up to grant ceiling, yes.

Then we get to the assessment dimension, and how assessment rich or poor respective boards are really begins to speak to the equity question. I am going to ask John to fill in a few of those technical holes. Your question also harkens back to a theme that I advanced in terms of redefining and remodelling education funding: local ratepayers, home owners, cannot continue to make up the differences in local taxes for the cost of education. That has to be redressed. There have to be other models. I am convinced there is sufficient talent and intelligence and wherewithal in this province, not so much to absolutely increase the number of dollars spent on education, but derive new ways of obtaining those dollars and apportioning them in a different way. John, maybe you could speak to a few of those technical aspects.

**Mr Sabo:** Just a couple of facts. I think the key fact is, educating 37% of the pupils and receiving only 22% of the assessment, it cannot be equal. It will never be equal. The only way you can deal with it is if you spend significantly less than the coterminous board or the board that you are comparing it to, to get around it. There are statistics that show for our case, 1989, while we are spending at a level of \$4,500, our coterminous board is spending \$600 more than us per pupil and the Metro Toronto board is spending \$1,500 more than us per pupil—this is elementary—and is able to do so because of the differential in assessment. So, it is not equal. The statements by the Ministry of Education stating that there is a base level of funding, we have yet and would love to get it—an analysis of what is included in that base level, and on key things like: What do they include for pupil-teacher ratio? What do they include for salaries for staff and teachers?

It is not reality, because I am aware of one or two of the 168 school boards in Ontario who are spending below the ceiling; everyone is spending above the ceiling. That is just on operating costs. That is only the tip of the iceberg. We cannot spend the same per pupil. Then you add that to debenture debt where two boards are each building a school: 3.5 times the impact is on our ratepayer than on the other board. Just numbers: 1% tax increase for us raises a million dollars, roundabout. For our coterminous board it is \$4 million. That kind of differential is enormous for those costs above the defined approved level. And we have met with the ministry. I know their difficulties. They have a limited pot of funds. We have suggested ways of taking that limited pot of funds and redistributing it more equitably, having a higher ceiling. But those are the differences. So clearly the statement that funding is equal is nonsense. We are not even close. Take the pooling legislation. The Treasurer at the time when that announcement was made said, "It is a move towards a fairer..." and was very clear in saying "a move towards a fairer..." Not that it is now



equal. Even after the six years, it will only be "a move towards." That kind of differential is staggering, and that is why there is no surprise that 25 separate school boards were in deficit and no coterminous board. Frank highlighted, clearly it is not separate/public; it is assessment poor/assessment rich. The ability for an assessment-poor public board is far less than an assessment-rich public board. You know, at Timmins or Muskoka or whatever, the ability to spend per pupil is far less. It is a funding flaw.

One of the big problems is that of having education funded by local tax base. One thing we are starting to say is that probably the only solution is take it off the local tax base or put it in a pot or do something, because it does not work. You have got—and I do not want to get into a longer debate here—the whole default clause. You are automatically a public school supporter unless you designate separate. You can be the chairman of the board and he will move to another house; he is automatically public unless he designates it separate. Those flaws—and they are flaws—force that differential. We are not asking for 50% of the funding. We would love to have the 50% of the access of assessment but if we have 37%, you know, we just need the same access per pupil, otherwise it will never be equal. There will always be that discrepancy.

**Mr Johnson:** Why is there that difference between the 22% and the 37% of the students?

**Mr Sabo:** The main reason, the large one, is commercial. Up until very recently, all publicly traded commercial was automatically all public. And in the residential—the main area—those who have students in our schools have to be supporters of our system to be educated in our schools. Those are not the problem. It is the ones who are Catholics and could be separate school supporters but do not have any children in our system. Then we are into a situation of saying, "Our taxes are too much; let's switch," or do whatever. So we are caught in that twist. On top of that, there is a mechanism that was approved—the ministry access to pooling funds—which, if you are aware of the pooling legislation, is a function of the residential split. So what you have in residential determines your share of pooling; so we are caught in a bind.

We issued to the ministry last year a statement saying that we are forced to be in a deficit because you force us to levy the same tax increase as our coterminous board, because if we do not, we are going to lose on the commercial. And in effect—as the auditors rightly pointed out in the budget process—it was not a function of the budget analysis and determining what we need and raising the necessary funds for it; it was more a function of, we have to raise whatever the public board raises. If we are too far apart, those who are not taking advantage of our services are going to leave. It is hard to argue against that. They are saying, "Hey, I can't afford the \$200 or the \$100 more. Can't do it." It is a compounding effect, and until that is corrected, we are in this perpetual nightmare.

**Mr Johnson:** So if I heard you correctly then, you have to be at least on a par with the public school system with regard to service—

**Mr Sabo:** Competitive.

**Mr Johnson:** —the service that you give to the students; otherwise you would lose some of the tax base, I suppose.

**Mr Sabo:** Yes, except I twist that around a bit, because the service is one clear element but it is the tax rate, what we end up levying on our ratepayers for that service. I dare say I think there is a clear difference between what we offer, but there is that pressure. It is a compounding effect.

**Mr Johnson:** Well, I was going to suggest that maybe you had spent beyond your means, but I realize that that you have to do that.

**Mr Sabo:** We are spending \$600 less per pupil and we have a deficit.

**Mr Virgilio:** Just one comment, Mr Chairman, if I may: in our board and most separate boards, we have a department called assessment department, which the public boards do not have. And that department's function is to go out and try and identify separate school supporters and to get them on to the rolls as separate school supporters, failing which they will be public school supporters and therefore lose even that much more. And we have been successful over the years, but it is that default provision that really causes us problems. But it necessitates an increase in our administration to have that department. So really the system is working against us.

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**Mr Bradley:** Mr Chairman, I want to deal with a couple of areas in the report that perhaps have not been touched on. I apologize for being late; I had to do some work at the University of Toronto at noon hour. So I will deal with the issue of payroll and employee benefits, which is on page 6.

I know that the first part of it was dealt with by Mr Jackson. The last item says the auditor noted many of the students employed by the board in summer and who earned over \$200 were related to board employees. There has been increasing criticism in the public domain—it has probably always been there—but increasing criticism in the public domain about nepotism in public bodies.

One recognizes that if it is a private sector firm, the boss may employ his daughter or son, or her daughter or son. When it is from the tax dollars coming in, people expect there is going to be equal access. I noticed what your response was. You must have a different part of the province than I represent, because those jobs would not go begging in the Niagara Peninsula at the present time. I recognize our unemployment rate is always higher. In the Legislative Assembly, sons and daughters of the members of the Ontario Legislature cannot be employed by the government of Ontario, I believe, under the rules and regulations. That has been changed.

**Mr Charlton:** In recent history that is true.

**Mr Curling:** Unless we change it.

**Mr Bradley:** And yet I see an organization significantly funded by the provincial government that does not have that policy. Is it your intention to move to a policy where in fact sons and daughters of employees of the board of education will not be eligible for employment?



**Mr Bobesich:** Through you, Mr Chairman, I hope not. I hope that will not become a hard and firm policy for a couple of reasons. We are really sensitized to your concerns about nepotism, but that is a fact. I was embarrassed to have this reality printed in the context of this audit report, but it was a fact.

Now, I would agree with you in this forthcoming summer. If we, in fact, have any positions available for young people—if any, you know, two or three—I think there will be high competition for those jobs this year. In our region, in the past several years, we did not have a heck of a lot of kids competing for some of these jobs. Some of these jobs are not very glamorous; they are kind of dirty. We did post notices; we did apprise staff—or principals in secondary schools.

Perhaps we did not publicize that as visually, in terms of big posters and more places, as we might have. We shall do that in the future, provided we have positions. In fact, as a result of this, we have determined that the posters will be very prominent in all high schools. It will be spoken to. But to say that no offspring of employees are eligible, I think would be a little bit unfair for a couple of reasons.

Number one, if we have the same condition that we had in two previous seasons, where we simply did not have kids that were interested or kids started and did not want to stay because it was hard washing those desks and chairs all summer, then we are looking for kids midstream. And number two, we have found through experience that the sons and daughters of employees, especially senior employees, tend to do a heck of a good job because they have a different sense of commitment to that job because they know what the expectations of the parents are. So the organization benefits, the kid benefits, and everybody benefits. So to blatantly say, "No employee offspring will be employed by the board in the summer," I do not agree with.

**Mr Bradley:** I thought it would be interesting that you know what the rules and regulations are around here because I think most people in the world think the rules and regulations related to that around the Legislative Assembly are somewhat different than they are. And I can certainly understand that you would not want to prohibit those individuals from having access to the jobs. I think your answer there is quite appropriate. However, this finding by the auditor would not be unique to your organization, by any means—

**Mr Bobesich:** I know.

**Mr Bradley:** —or virtually any organization, and I recognize that the hiring is often where you feel it is going to be reliable.

**Mr Bobesich:** Yes.

**Mr Bradley:** The point I would make, however, is it would be similar to certain other instances that we could think of in this world, like the Ontario civil service, the federal civil service, municipal civil service, that very often the people who are least in need of the money from those jobs are in fact the people getting those jobs, and that poorer people in the province of Ontario who do not have access to the levers of power, who do not have friends in

high places, have kids that do not have access to those jobs. So I am pleased to hear that your posting and your advertising will allow more of those people to be in a position to access those jobs. The real crunch, of course, comes when the hiring takes place.

I do not want to sound like I am lecturing on this, and I understand fully what you are saying when you talk about reliability. I suppose that public bodies funded by taxpayers' dollars will have to be in a position—and can come back at taxpayers who are critical for this, by the way—to take a greater chance in hiring people who they believe, to begin with, may not be as reliable as those who are the sons and daughters of superintendents or whatever we want to use.

I am not using that in any incriminating way or anything, but people in that position naturally are going to try to be reliable because their mother or father happens to be in that position. But it seems to me that public bodies may have to reach out to other people who do not have that same opportunity as those who have people who are in influential positions.

The second question I would like to deal with is that of transportation. And I will not bore the committee; we did deal with transportation somewhat this morning. On page 3 it says, and you will bear with me if you have already dealt with this, "The board did not award bus contracts based on the lowest tendered price." I understand that you are going to do it. You say you are one of the few boards in Ontario which employed the competitive bid process and you are going to review it and a decision taken in favour of the most cost-effective mode of obtaining transportation service.

I recognize there is always a question that arises when you do not take the lowest bid. However, there are circumstances where it is appropriate not to take the lowest bid. What was the circumstance that I missed out on there?

**Mr Bobesich:** I am glad you raised this question, because this is one area of the audit that we are turning to our advantage. First of all, not only are we continuing with a rigorous housecleaning of that particular service unit. It had started, but the rigour of it continues, so I am glad to be able to talk to about that, because we referenced at the outset of the report that we are taking remedial action on all of these things and transportation is certainly a focal point.

Now, the question of tender versus competitive bid is an interesting question, and we have not declared for or against in unequivocal terms, but rather really mean what we say when we say we would like to take the approach that gives us best value for our dollar in terms of economy and service.

We were burnt a few years ago when we went with a low tender operator. We were really burnt, because in essence what happened to us during the first month of school in September was that buses were not showing up, kids were being left unattended, mothers and fathers were calling the school board and screaming at us in no uncertain terms. The company was just not able to provide the service.

At the same time, and perhaps this is also common to your region, there was a shortage of qualified bus drivers. The coterminous board upped the pay schedule for bus drivers and virtually attracted a lot—using nice language



there—attracted a lot of these bus drivers. So we were left in a situation where the company neither had sufficient rolling stock nor qualified drivers. Now, you explain the tender process to those parents under those circumstances and they will tell you what they think about the tender process. But we are really quite conscious of getting the best value for the public dollar.

Further, if you want specific information about what we are doing, Mr Sabo just had a meeting with a number of concerned companies around this issue. We are working closely with our coterminous colleagues in terms of reducing transportation costs. I just want to tell you that we are increasing the number of shared routes. We are looking at a reasonable cost for service, and for the first time in many years our board is addressing its transportation policy.

1530

That is an item for tonight's agenda. I suggest it is going to be a bit of a heated item, but heretofore we have had, I think, a very generous transportation policy, and we are looking to change that transportation policy, which I predict will precipitate a storming of the bastille next month when the good citizens find out that the kids have to walk a little further.

But nevertheless it is an area that has contributed to some of our deficit situation and it is an area that we are just going to have to hang tough on. And so transportation is being tightened and is being economized. And we are really looking forward to future—I hope in the near future—definitive rules and expectations as well as funding statements from the ministry regarding transportation.

**Mr Sabo:** If I may add to that, on transportation, that was an issue that we had long discussions with the Provincial Auditor on, the merits of tendering versus negotiating and whether the principles of tendering, which apply to a new building, a product, can be applied to a service, and how do you measure the less quantifiable items as safety and service and all of those items.

I was pleased to see in the Ministry of Education response to the provincial audit that they would be providing to us by the end of January guidelines on tendering of bus services. We have not received them, and I am told they are reviewing it again, because very likely they have realized it is not that easy. It is not an easy statement to come up and just say, tender. I mean, the easy way out, to be very honest, from an administrative point of view: tender it, low person gets it and our life is made easy.

We have meetings with our bus companies. Over the last few months we have reduced a significant number of routes. A lot of our bus companies are very worried about losing routes and ceasing to exist as companies, and forcing the monopolies to start to develop and the bigger companies will take over the smaller companies. There are negative, definite negative impacts along with that.

We are meeting with our coterminous board. If it does not happen this year, it will for sure next year happen that we jointly work together. They have had a negotiating process in place, which I think has worked well for them. We are looking at their process to see whether we can incorporate it. But clearly it is not like tendering a building. The

service components are incredible. We have worked very closely over the last few years. Our bus companies have developed safety programs and you cannot put that in a spec. So we are looking at it and we would welcome any guidance from any area.

**Mr Bradley:** I commend you as well on your efforts to work with the coterminous board. I think what all of us have seen over the years is, in certain parts of the province, some ridiculous situations developed where I think, when everybody sat down and looked at it, everybody said: "These are ridiculous circumstances and we can in fact have some common routes. We are going to be able to better service the people." And, yes, you are going to have people from different school systems on the same bus, but the cost is going to be more effective, and it may be that you will get a better deal—I do not know that, not necessarily—you may get a better deal out of the companies when you do that. So that is certainly commendable on your part.

**Mr Bobesich:** One other initiative that really is being accelerated because of this deficit and the need to cut wherever we can without hurting programs is to further pare transportation costs by having some schools, especially secondary schools, start a little earlier in the morning, like 8:30, so that we can utilize the same bus for double runs. We have had a little bit of that. Now we are expanding that more systematically for September and even looking to pilot perhaps one or two elementary schools. We have calculated that that whole cumulative effort in the transportation area will make a significant monetary difference within a year.

**Mr Bradley:** Looking at—because the auditor overall looks at this—the total cost of education, you have recognized as well as everybody else in the province—he is perceptive of these matters, and I am sure you are—that there is a growing group of people, a very vocal group of people at least, if not growing, who are concerned about the costs of education and are, at the local level and I guess at the senior levels of government to a lesser extent, putting some considerable pressure on to limit the increases in costs or in fact to cut back on those costs.

You also find it no doubt amusing, from time to time, although you may not say it is amusing, to note that some of the same people who are demanding the service are demanding the lower taxes, and that is always an interesting balancing act in itself.

But I put it in this context. There is probably a growing opinion that is not shared by many in the separate school system that there should be one single board that would handle all education in Ontario. This has been rejected by separate school boards across the province. But a variation of that is what you are talking about in terms of—I guess people recognize the differences and the reason for those differences—a growing body of opinion that says there are certain areas where there can be shared costs.

One looks at transportation, where you are making some significant moves in that direction. One looks at the potential for maintenance staff who are not involved in instruction of students. One looks at purchasing, where



many boards are involved in some joint purchasing projects. Some look at the area of consultants, where it may be in specific fields that consultants could be of use to both boards of education.

What efforts are being made in York region in that direction, recognizing that no one is saying you are moving towards a single board or anything, but in terms of the co-operation, what areas are your two boards working in to bring some cost-effectiveness to education and maintain the same level of service that you would like to maintain?

**Mr Bobesich:** In addition to the transportation initiative, we have a historical agreement with the coterminous board. We jointly founded and promoted an audio-visual media resource centre and library that teachers from both systems access. We share a common audio-visual technical repair service. Those are two.

We share some expertise, not so much on a contractual basis, but on a lend-loan basis. We will do something for them or they will sit with us on a certain task force or a project. And that is as much a function of good neighbours as a predetermined type of collaboration.

**Mr Sabo:** In purchasing, our purchasing department has been working very closely in terms of, recently, garbage removal, waste management, recycling. That is a significant issue in York region as in other areas. We went out on a joint tender. We do a number of joint tenders on large items and are looking to expand in that area wherever we can.

In the area of plant, we are meeting tomorrow, as a matter of fact, in terms of reviewing some plant services, not yet sharing, but we share ideas at this point. We have a very good working relationship. The trustees have a liaison committee that meets regularly. Tendering of transportation is one, lot levy initiative is another, working very closely together in all those areas.

**Mr Bradley:** The other area I am thinking of when you talk about plant—I guess this is plant to a certain extent—you may be familiar with the Lincoln County Board of Education experiment with two elementary schools on one property. They exist in fact in York. I am not certain of that at all, but Michael J. Brennan and Pine Grove, in the north end of St. Catharines, share the same property. One is a separate school, a Roman Catholic separate school board school. The other is the coterminous public school board in the area. It has, according to most people who have approached it with an open mind, been very successful.

Are you moving in that direction of sharing property, sharing buildings, recognizing that the schools are entirely separate but they are still part of the same unit in terms of the physical building, and the property?

**Mr Bobesich:** Well, yes and no. Let me qualify that. School sites have had to increase as of late because of the need to provide additional space for child care centres and related parking, and so the actual size of school sites is increasing for both boards.

Now, in conjunction with municipalities, I think we are doing some very nice planning in some of our municipalities. Markham comes to mind, where we have a public elementary school and a separate elementary school, certainly in

the same location, but what they share or what divides them is a common park. That is working really nicely and we are advancing that kind of planning in a number of municipalities.

But I do not think that I would want to say, and I do not think the other board would want to say: "Let's buy a common site and put up two schools. You go north, I'll go south and we'll share the middle." No, I think there is another way of approaching the same objective that you are advancing, working in concert with the municipal planning authorities, developing a piece of land that serves both educational as well as community recreational purposes.

What we have done in that regard is we build into our schools community washrooms which are accessible to recreational department activities and communities at defined periods of time. That seems to be working fairly well. I think we are moving towards that intent and that theme without actually buying a common piece of land, but planning it in concert.

1540

**Mr Bradley:** Just an observation, which may or may not be accurate. If the new administration at Queen's Park is going to provide, indeed, 60% of the cost of education on average across the province, my guess would be that they will do so based on conditions to which the minister has alluded that, in fact, there be some co-operation and cost saving at the local level. Perhaps those boards of education who move in that direction early, as your board has moved in some areas, will be those who will receive some favourable consideration from the government, because I cannot believe, for the life of me, that when it comes down to the crunch, they are going to provide 60% of the cost of education, as it was, of an unlimited figure that is going like this for ever unless, of course, we have discovered oil in the province of Ontario.

**Mr Bobesich:** I guess I have two observations on that comment, sir. The first is: 60% of current dollar value, or is that 60% going to include and encompass an expanded number of initiatives that may be laid on to school boards? I think you have to really look at reasonable funding in the context of what the baseline level of expectations is, whether they be expectations articulated of the government of the day or the local community.

Funding equals expectations. The other comment that you made is if, in fact, there will be preferential treatment or favourable treatment of those boards who have indicated a willingness to co-operate and extend mutual initiatives, I have no doubt that we would benefit from that.

There is one other point that I would really like to go on record as making. If ever the day comes when the government, the Ministry of Education, recognizes and funds appropriately those boards who have made tremendous efforts to accommodate all exceptional children in this province in the area of mainstream special education, I want to tell you we would get a bonanza, because we are running, undoubtedly, and offering, undoubtedly, one of the best special education mainstreaming programs in this province. It is a program that we are hurting with right now because of its tremendous costs. It is just blatant silliness



to think that you can educate hard-to-serve youngsters with a tremendous range of exceptionalities at the level of current funding. It just is not possible. And a consequence of that is that this minister, at least I think in spirit, has recognized the reality that has to be translated into some kind of support because we cannot continue to serve those special needs youngsters without additional assistance. I just want that to go on record, because we would qualify for the bonanza.

**Mr Bradley:** You have had the opportunity through my question, then, to put on the record in Hansard that particular point and with Ministry of Education officials listening carefully and government members listening carefully. Hopefully your message will get through.

**Mr Cousens:** I wanted to follow up on something Mr Bradley was asking about, and it has been an issue of great importance to the committee, and that is transportation costs. I think Jim did a service by getting the answers we did from you. Why do you not, as the Roman Catholic separate school board, have the same transportation policy as the public system?

**Mr Bobesich:** I think you might—oh, I am sorry, Joe.

**Mr Virgilio:** That is okay.

**Mr Cousens:** The politician will answer.

**Mr Virgilio:** The politician will answer because we are nice people. I think tonight we are going to readdress that and we cannot speak for the board of course, but we think we are going to move to that this evening to have the same walking distances. But I can tell you, and I do not know if you were there that evening, Don, but as soon as you start changing those walking distances, we had our boardroom full of people for two or three months last year. We had boardrooms full of people saying “Our kids are going to get attacked; they are going to get killed by cars,” they are going to do this they are going to do that, and it really is gut wrenching when people come with those type of arguments and you are saying, “Well, you have to increase the walking distance.”

We have in our board regional differences as well. But I think the concern we have is that we were trying to be good to our ratepayers and, consequently, we have had to pay for that.

**Mr Cousens:** Just because I think it is such an important issue—and if you are able to not only have a similar transportation policy as the public system and if, in fact, you have a working relationship—and I do not see any reason why it could not happen by virtue of the similarity of boards in interest on transportation matters—that if changes are made by either board on the transportation situation, both boards could have, through their joint committees, some working through of that so that it is not a surprise to one board or the other. Could you then, and would you give consideration to further use of the town and regionally provided bus services? And to what degree can that become part of your solution, especially with the main routes, where you are involving certain major routes that are provided in the town, so that the town can buy into the solution as well as the other board?

**Mr Virgilio:** We are negotiating on the secondary level; it is the young kids that we have a problem with.

**Mr Cousens:** I understand.

**Mr Virgilio:** And in our board as well, as you know, we have junior kindergarten, whereas the public board does not, which is also causing difficulties to us. But we have tried, on the secondary level, to negotiate with the different towns. Unfortunately, when you get into the northern regions, it is more difficult. The services are not there where you have not the density.

**Mr Cousens:** I understand.

**Mr Virgilio:** But in Markham and Vaughan we are trying, and Richmond Hill as well.

**Mr Cousens:** I am encouraged by the answer and the challenge you have with it. I have one further comment on it and that has to do with the level of urgency that can go into it. The problem you have got is that you are limited so much in resources from a staff view to implement change. I mean, the policy can be developed by the trustees, and then to have someone implement it, as Mr Bobesich knows, it is next to impossible to do that. But if you may look at possibly having outside consultants or some assistance so that you could implement some of the changes in transportation as early as this fall to begin to effect more speedy savings to the whole system. Now mind you, it is an election year for the trustees, but I just suggest that might be something you could be looking at.

**Mr Virgilio:** I think we are going to have to make a lot of tough decisions this year and, election year or not, they are going to have to be made.

**Mr Cousens:** I have one other question, if I could, Mr Chairman. It has to do with one of the auditor's conclusions when he talks about the budgetary processes being satisfactory. However, the setting of the local tax rate was more dependent on the rate set by the region's public school board than on the budgeting process. Would you mind commenting on how that one works? There is a certain amount of realism that takes place in the school board. Would you just give some comment?

**Mr Virgilio:** I think it was alluded to earlier, and I think I was probably one of the people who said it first, that we go through this whole budgetary process and, having been involved with it five other times, you go through that whole process of needs and wants and things that you would like to keep. Then you get to the point where the public board sets its rate and, in order to give the wants and things you would like, it would take an 18% increase or more and the public board comes in at 10% or 11%. That is what happened last year and we said, “We cannot have that great differential because it would scare away all our ratepayers who do not have children in the system.” Consequently, in order to retain those ratepayers, we have to reduce our mill rate to coincide with the public board and the budget, and that is where we end up most times. Every time we have done it, that is what has happened. No matter what our needs are, we have to come in close to what the public board has. That is what happens at budget



time. Unfortunately, it is a truism, it is not a reflection. It is just trying to keep the assessment dollars in our board.

1550

**The Acting Chair (Mr Miclash):** Thank you, sir.

**Mr Bobesich:** Mr Chairman, that is the political reality. However, I must say to the auditors that I appreciated the comment they made about the process being satisfactory. I think they were satisfied, as well as pleased with the amount of data that administration brought to the trustees, the amount of information that was brought before, to enable decision-making, and the processing that actually took place, because we were concerned about that and we wanted to make sure that we were in fact bringing the kind of information forward that ought to be brought forward, and so that the trustees had that at hand. I think that was confirmed by the auditors, and my staff were appreciative of that because they worked hard at that. In the final analysis, the reality of life says you will be competitive in many areas if not all.

**The Acting Chair:** Thank you for that, sir. Mr Hope.

**Mr Hope:** First of all, thanks for coming. I guess my questions will be quite direct. I do not know if you have a copy of an article that was in the Toronto Star, 3 January, and it talked about slashing maintenance costs.

Before I get into that, I would like to ask one specific question. Is there currently a municipal property tax revolt in your area?

**Mr Virgilio:** Not yet.

**Mr Hope:** Okay. Then my second question would deal in context of what we are talking about here: we are talking about teaching staff and salaries. What is the absenteeism ratio of the teachers? Do you have that?

**Mr Bobesich:** That is a difficult question. We took a stab at trying to put together some stats around that question, and the problem is that we just started to computerize these data about a year ago, so our comparison to previous years is shaky at best, but it appears on our first draft attempt that it was something like six and a half days per teacher, per year. That is subject to more rigorous substantiation over the next several years; 6.5, 6.7. I do not have that report in front of me, but nevertheless I think that rings true.

**Mr Hope:** What are the salaries? Just for my own information, because it all leads to questions. What is the salary of teaching staff?

**Mr Sabo:** We are competitive in comparison to our public board; we are very close. I think at maximum we are within \$300 or \$400. The maximum salary range—I do not remember numbers—I think is \$60,000. That is a classroom teacher, but that is an A4, fully qualified, 10-year-experience teacher, and they can start all the way down from, out of university, typically—I do not know—\$28,000 or \$30,000.

**Mr Hope:** I guess my question then leads into, because of the wage structure in itself, and I hear the absenteeism ratio, then the teaching quality must be there, and the enthusiasm behind the teachers must be there to continue quality education. When I start talking about the

wage structure, you can have repercussions out of withholding wages from teachers themselves, and when you withhold wages from teachers, usually there is a repercussion. They usually leave.

When you start talking about slashing costs, you talk about slashing maintenance costs in that article, and when we start slashing preventive maintenance costs, then we start having to address it down the road, as more capital moneys have to be put in for fixing up the damages that could have been done through preventive maintenance. I know you are faced with a huge deficit of \$18.5 million, and I guess I am just questioning the strategies behind using that method. Number one, looking at the teachers' salaries, and also about the slashing of maintenance.

**Mr Bobesich:** In terms of slashing maintenance costs, maintenance responses will be prioritized, and of course, priority A items will be done—leaking roofs and malfunctioning furnaces—but certainly, I guess stuff that would be considered cosmetic will not be done. Even if there are some areas that ought to be attended to on a proactive basis, in hopes of not incurring an additional amount down the road, we really do not have much choice about it. I mean, you find some money somewhere or you do not. It is easier to take it out of maintenance costs than it is to take it out of instructional services.

Secondly, trimming teaching staff in some departments, I just got this note here that talks about reducing some level of support staff, in terms of consultants, and special-ed support services, from central office rather than in classrooms. Classroom situation is governed by the collective agreement and that, of course, is respected. That is not being tampered with.

In terms of your reference to costs, to expand upon a note that John made, and you may find this somewhat of an anomaly, I think at the moment our teachers enjoy among the highest levels of salary in Catholic boards in the province. We were clearly cognizant of the need to be competitive, for the very reasons that one of your colleagues raised a little while ago, to attract new teachers into this area, to enable them to live in the GTA. We had to be competitive. So we did our very best to do that. So they enjoy a very competitive wage today, and when you talk about slashing costs, I do not see anywhere on this page where it talks about slashing salaries or wages. Where are you inferring that?

**Mr Hope:** That was one on the second page, "the biggest area of cuts will likely be in the teachers' salaries, which make up 70% of the board's budget."

**Mr Bobesich:** I suppose that that is a reference to future negotiations, where I think an attempt will be made to try to reduce to some extent the total portion of budget which is directed towards employee salaries, teachers and otherwise.

**Mr Virgilio:** Mr Chairman, one of the concerns I have as a trustee in talking about salaries and wages is, I find it very difficult. Because we are dealing, as a school board, with a unit of teachers, if you like, or caretakers, etc, and there is always this comparison factor. It is not that we are not making enough, it is that the other board is making



more and everyone wants to leap-frog over the other board. "We want to make as much as, if not more than, the coterminous board, or the other boards in the area." I think that is an area that we really have to come to grips with.

I am not suggesting our teachers do not deserve the money they make; they do. But the question becomes, every time you go into negotiations, it is a comparison of, "Well, they have so much in this board; we deserve just as much." When do we stop that? You talk about the cost of education—70% is in salaries. Now when do we say to ourselves, "We have got to put a stop to this for a certain period of time"? That pendulum has swung from when teachers were not making any money to the other way around, when they are making very good money. A lot of our ratepayers are saying, "Teachers work 10, nine months out of the year. They have got a job. A lot of people in our region and the rest of the province do not have jobs." So I think for you to say that because we would not give them money the morale would come down is really unfair. I think the sooner everyone starts talking about salaries as not being something that is deserved every year because of cost of living—I mean, the cost of living goes up because salaries go up every year. It is a vicious circle.

**Mr Hope:** I would have to disagree with you on some of the comments you have put forward.

**Mr Virgilio:** It is a vicious circle that is not going to end, and if the province is not going to provide us with the finances to pay for the increases in salary, we are going to have to take it out of our ratepayers, and that is where it becomes really unfair to everyone. That is a political comment, not something from the administration, but I think something has to be addressed. The stress that revolves around negotiations is really something that should also be considered, because, again, it is the divide and conquer aspect of it, that each school board has got the lever of the kids. It is really going on strike. I mean, the impact that it puts on trustees and administration is really an unfair impact. It really and truly is.

**Mr Hope:** Okay. We could probably get in a long debate about that, but I really do not want to do that.

1600

**Mr Cousens:** You might not win, Randy.

**Mr Hope:** Oh, I probably would.

**Interjection:** There are a few negotiators sitting over there.

**Mr Cousens:** Ah, you are talking to one of the star trustees.

**Mr Hope:** Okay. When I look at the article—and I guess I am trying to compare because I do not know York region, what its geographic figurations are like—and it says, instead of a 30% tax hike, you opted out of that and it does not say anything about the percentage that you did implement. I would have to ask that question. It was in the article and I hope I am not throwing you off. If I am, just tell me so and I will get you away from that article, because it was something I have advantage to over you. It just says in the third paragraph from the bottom, "To operate in the black, the trustees would have had to raise the school

taxes 30%. Instead, they built the \$18.5-million deficit into the budget."

**Mr Virgilio:** That is what I alluded to earlier, I think the public board came in at 10.2 or 10.8 and we came in at approximately 11, just one point ahead of theirs.

**Mr Bobesich:** The year before, we raised our mill rate some 18.5% and the coterminous board, I think, went as high as 16.5%. So there was a two point differential. Last year, it was 11% for us and 10.8% for them. Those are facts for the years 1989 and 1990. This year, my only assumption is that it will be competitive no matter where the coterminous board levels off. It will be a competitive rate. I am trying to glean where this article came from because the first part is nonsense in terms of the school year. But at any rate, in the context of processing the budget or in budget deliberation, there are always equations that are drawn. One of the equations that may have been drawn was simply to illustrate that in order to come in with a balanced budget at that time, given the revenue in terms of general legislative grants plus assessment, we would have had to raise the tax 30% in order for it to equate and balance. Clearly, 30% is not something that any board would levy on any community.

**Mr Hope:** That leads to page 4, where you talk about a five year plan to balance out the budget from 1991 and retire the deficit in 1995. If you are trying to stay competitive with the other school boards, how are you going to deplete that \$18.5 million, which will probably escalate as we go along through the four years? How are you then going to deplete it in four years?

**Mr Bobesich:** First of all, we live in eternal hope. Secondly, we are quite conscious and cognizant of the reality you are alluding to, but we are also hopeful that at last there will be some substance to back up the rhetoric of the past five years, in terms of improving the funding situation, redressing the assessment problems, redressing the funding models, and actually increasing and bringing into line the per pupil cost of educating youngsters in this province today. Somewhere along the line, some government has to follow up in a substantive form with all that historical rhetoric, and if it does not happen, then I ask what is the consequence? What is going to happen? Are they going to close us down? What are we going to do with 37,000 kids? Do you close down a school system like you close down a tire plant? We are trying to be responsible and reasonable and we are doing our darnedest to exercise responsibility in two domains, the instructional domain to the kids and the fiscal domain. All I can say to you is we will continue to do our best and then our fate goes into the hands of the ministry and we will see what happens this year. Last year, when we could not balance, the Education Act was invoked, grants were withheld and that penalty cost us \$300,000. That is \$300,000 we had to go to the bank to borrow on top of the debentures and other loans we had. Well, \$300,000 will buy a lot of stuff and we did not get that money back. That is the penalty that we suffered. Are we going to suffer another penalty this year? We have no place else to go, we have no programs to cut and we have no frills left to cut. So, I lay the case before the officials



and the government of the day and I ask you very sincerely: what else is there to do? My kids have to have some education, some educational programs. What would you have us do? So we will do our best over the next five years and we are sincere in that, but our success will be very much predicated on how quickly and how effectively other reform measures, which have been promised, take effect.

**Mr Hope:** I do not know who made the promises but I guess I will have to look at it. I am not in the Ministry of Education. In York region, is there more than one municipality?

**Mr Bobesich:** Nine.

**Mr Hope:** There are nine? Are there, in the municipality itself, areas that are being subsidized? For instance, where you have a higher mill rate in one area versus another area in the property tax issue?

**Mr Sabo:** Sure. The mill rates are by municipality and York region does not have an equalized assessment. They go through a process of equalizing and the mill rates that are produced are, in theory, supposed to equate to the assessment that is attached to a house. So, in theory, the household of a certain value in Vaughan should be paying the same as in Schomberg.

**Mr Hope:** With all due respect, I am one of the people that support the Catholic separate school system. I do pay the additional moneys and let me tell you, my taxes are not comparable to the public sector but that is my choice. I hear what you are saying about the sector that does not have children, that is not using the school system. I guess it is just the point of view from a person who pays to the Catholic school system that, with all due respect, I prefer having my children going to a Catholic school system and I will pay the differential for the quality of education. Yes, it may cost me more but, at the same time, I still want my board not to have a deficit and the quality of the education of my children is one of the key issues with me. The unfortunate part is, through past governments, the failure to comply with getting moneys into the school system. But at the same time, we have to deal with the issue of quality education, because as we have more illiteracy—people who are in grade 9 and 10 still cannot read and write—we have serious problems. We have to develop ourselves because, with the market change of everything else, we have to be more competitive. The people who hold the responsibility and the key to our future are the people who are the trustees and also the board of directors in making sure the quality education is an issue. Making us understand as taxpayers, in order for us to maintain, if we are to go to a Catholic school system, we will have to pay some of the differences in prices.

**Mr Charlton:** I will be very brief. Just a couple of quick questions, one for Mr Bobesich. I was intrigued earlier with Mr Jackson's questioning about item 5, the salary determination purposes for part-time teachers. Your response was that it was a program or a procedure that you had forgotten about and that it was now being looked into. Someone jogged my memory over the course of the afternoon and I am just wondering if it might not, in terms of the board's response to that issue, read just a little bit better

if it said, "Practice established in 1972 because of a need to attract and keep good women teachers in the system."

**Mr Bobesich:** Actually, it might have said, "good part-time teachers in the system."

**Mr Charlton:** Part-time women teachers?

**Mr Bobesich:** The fact that the majority of them may have been women is fine.

**Mr Charlton:** Is it likely that is what the union's position on the issue is going to be?

**Mr Bobesich:** It may be, but I have not discussed it with them yet.

**Mr Charlton:** It might be good if you could find that original motion that was passed and the debate around the motion as well.

**Mr Bobesich:** I intend to.

**Mr Charlton:** On this issue of assessment and provincial funding, we have talked about the 22% and the 37%. My understanding of what was said earlier is that, even at the end of the six-year program that allows you to wade into the pool gradually, you still will not be, even in basic terms, at 37% of the assessment base.

**Mr Bobesich:** That is correct.

**Mr Charlton:** Roughly, where will you be at the end of that?

**Mr Sabo:** Twenty-nine. That is optimistic.

**Mr Bobesich:** Which is commensurate with the level of residential and farm assessment. That is where it is capped. The commercial-industrial will come in to the level of residential and farm and they will coincide at that point, which will not equal the total population.

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**Mr Charlton:** Okay, so right now, with 37% of the students, you only have 29% of the residential and the farm assessments. If you managed between now and the end of the six-year program, through your assessment office, to get up to the 37% residential and farm, this program would allow you the other, to float the 37%?

**Mr Sabo:** Never happen. Never happen.

**Mr Charlton:** It is a hypothetical question.

**Mr Sabo:** It cannot happen. That would imply that every person who is able to be a separate school supporter chooses to be a separate school supporter. It just will not happen. Just the default clause alone and the people's willingness to sign a piece of paper will not happen.

**Mr Charlton:** I understand that but the question was, if you got there, the commercial would float to the same level. Whatever level you get to in terms of residential and farms is where the commercial will end up.

**Mr Sabo:** Theoretically.

**Mr Bobesich:** Yes.

**Mr Charlton:** Okay. Now, because this may help us a little bit in terms of things we may want to think about recommending to government, can you tell us of the financial problems that boards like yours are having? Let's take last year's budget, an \$18.5-million shortfall. How much of that is the assessment problem? I do not want exact



figures; just give us some ballparks in terms of how much of that we can resolve in this assessment package. How much of it is because of provincial funding equations, formulas, that do not hit the mark, that do not recognize the real cost of education today? And how much of it is something else?

**Mr Sabo:** To start with, the \$18.5 million is an accumulated deficit over the two years. Last year's deficit was about \$12 million. Clearly, assessment is built into it because that is part of the funding model as a whole. If we were at an equal assessment per pupil, as 37% of the assessment, we would not have a deficit for one particular reason. We are spending \$600 less per pupil in operating costs than our coterminous board. Because we are spending less than, in theory, we would be—

**Mr Charlton:** Laughing.

**Mr Sabo:** We would be in a much better position because, you know, we are receiving an equitable amount of assessment and spending less.

**Mr Charlton:** But presumably, though, the desire to get to the educational level of the other board will always be there. So let's forget about the \$600 you are spending less.

**Mr Sabo:** Okay.

**Mr Charlton:** How much of what you need to get to where educationally we should be in this province as a standard, is a fault of the assessment system for separate school boards and how much of it is a provincial funding problem?

**Mr Sabo:** I think they are one and the same. I mean, the funding model is based on assessment wealth and generates the grant level you receive. So as long as we were funded the exact same level of assessment per pupil and both ourselves and the coterminous board face the same penalties, then the balancing equation would be that the tax rate that our ratepayers have will be the same, and therefore instead of having them raise 10% last year, they might have had to raise 18% and it would have evened out.

So it is so related I do not know how we would break it apart, except to say that another factor is that of debenture debt. This year in our budget we just went through a process, \$16 million in this year's budget is to pay debentures. If we eliminated that, a 5% tax increase this year would balance us and put us into a slight surplus. So it is related. Had we had assessment over a period of years, we would not be in this situation. That is clear. That is the assessment wealth. There are two balancing elements: grants and taxation. Given that both are providing similar services, it should all equal out.

**Mr Charlton:** Then why do the public boards still have the complaint about the level of provincial grants? You are telling us you are going to shut up if we give you the assessment and go home.

**Mr Sabo:** No, no. Because of the balancing element being on the ratepayer.

**Mr Charlton:** All we are asking you to do is to tell me the second part of the answer. How much more are you going to come back at us for after we fix the assessment thing? What is it the provincial contribution has to be to

make the system work in the way that you have described to us? You want to see it work in your presentation? Do we just have to go to the 60% and will that automatically fix it?

**Mr Sabo:** I do not know.

**Mr Bobesich:** Mr Charlton, you are asking a very difficult question. It is a good question. It is a very difficult question from my perspective because I have to go back and ask the fundamental question of what will constitute a baseline program for an elementary student or a secondary student. If we can factor some reasonable cost of that program for the elementary or secondary kids, so we have two figures in front of us, then the next question is, how do school boards realize those per pupil moneys?

If we stay with some form of taxation rooted in property tax, then your question or struggle, I guess, becomes more germane in terms of, is it 60% provincial and 40% local. I do not think we are going to find a resolution in that model. I think the current model has to be changed completely into some other form.

**Mr Charlton:** I do not disagree with you. We are not going to go anywhere with this, so I will let you have a last comment then I am going to make one last comment.

**Mr Bobesich:** I wish I could give a reasonable answer to your question. Like, if the province gives you X, what will your Y be? Or vice versa. I cannot in this context right now.

**Mr Charlton:** Well, until you guys who are out in the front lines are in a position to start telling us what the real costs are, it is not very likely that those of us sitting up in here are ever going to come up with the right answer. We may make some improvements and we may come close. We may miss the mark because we are going to need you, we need that frontline input in terms of what the real costs are. We need the boards of education in this province to start looking at what is the difference between you and your coterminous board. What are they getting for their \$600 per student that they are spending? What is it buying in educational terms? And is that what we want or can we afford to forget that or is it perhaps even worth more than \$600? All of that stuff is going to have to come from the board level because it obviously does not exist in the ministry.

**Mr Bobesich:** There are costing data available from the ministry that are a summary of board expenditures, of course.

**Mr Charlton:** But you also know it does not agree with anything that you ever tried to calculate when you are working out your budgets. Is that not right?

**Mr Bobesich:** Yes. Your question to me still comes down to a basic definition of what will constitute a baseline program, and then how do we factor the costs in current dollars for that. I will struggle with that for a while, but I am sorry, I cannot answer your question.

**Ms Haack:** I also have to admit that I am not out of the educational field, but I am very much interested. Obviously this does make up a very large portion of the provincial budget and I am interested in when you are planning your capital building costs or projects. Obviously the events over the last few years have blown those particular



projects totally out of the water. What kind of lead time are you working with in light of the fact that you may not have a complete handle on what is going to be happening development-wise in York region? How much juggling can you do in order to meet demands that may be coming up in the next five years?

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**Mr Bobesich:** I will just give you one historical response and Joe can give you his perspective. We have yet to complete a school in time to satisfy the new municipality or the new community occupying a new subdivision. There is always a lag time. There is no proactive action. One of the appeals of the lot levy legislation was that, in fact, as development was being proposed and approved, school planning would commence, you know, in tandem with the planning of that subdivision. So as the houses were going up, the schools conceivably would be going up, and occupancy dates might be within reasonable proximity of each other. But there is always a lag time. Now if you want to dissect your question more specifically, like what is the time frame before we ask for approval, we wait for approval, we get approval—

**Ms Haeck:** How many years?

**Mr Sabo:** For a secondary school you are talking a two-year construction phase. Planning, added to that, four years before a secondary school is realized, if everything goes the way we want. We apply for, we receive approval for, we design and we build, and there are not strikes in between. Elementary school is a little shorter. We have been successful in using many repeat designs, fast-tracking. We were in a position unfortunately—unfortunately from a financial position—of advancing schools in advance of grant receipts because we had 5,000 children showing up next year and we needed some place to put them and we were building schools like that.

One thing that is happening now with the leverage of capital funds, we have a secondary school that we occupied two years ago for which funding was over a four-year period so that the school opens day one and we are applying over two, three years to get the grants for it. On paper it sounds like we are getting grants, but it is deferred and we are borrowing money still to bridge.

**Ms Haeck:** Do you have a planning department within your board?

**Mr Bobesich:** We did not have a planning department before last year. But we finally succumbed to that need and hired somebody to do planning.

**Ms Haeck:** Who was giving you your stats as far as being able to anticipate—

**Mr Bobesich:** We were; John and I. That was the planning department.

**Ms Haeck:** Oh, I see. And the municipality was providing you with housing stats or whatever?

**Mr Sabo:** We had stats. Again, we also worked with a coterminous board. We had a good handle where we were at. We were successful in terms of school boards and receiving allocation. We never received what we needed. As an example, in the five years, we built 32 projects. So

obviously we could not have built any more than what we received. So we built everything we could and made do, which we were forced to.

**Ms Haeck:** Where there obviously was the kind of growth that you were seeing in York region, I sympathize with your plight. Because obviously, in order to meet this demand, I am surprised you are not all a whole lot greyer than you are. And I speak to that starting at age 21 and we have been working on it for a while. Oh, it is a long time. A long, long time.

**Mr Jackson:** How much information are we going to get here?

**Ms Haeck:** I do not know. We will have to see. Vaughan has grown astronomically. I do not think I am telling anyone sitting in this room anything new. This is a very nice, handy little map. Looking at this, this is what we have seen in the paper for the last two years is the burgeoning area of southern Ontario.

In your relations with the municipalities, have they given you any sort of advance warning as to really what was coming down the pipe so that you could really be dealing with some of these things? Obviously, hand in glove is absolutely required, so that you can deal with a situation that is just going through the roof from a planning perspective.

**Mr Sabo:** We have worked very closely with some, not so closely with others. We have nine, as was mentioned. Vaughan was very co-operative with us. We are finding that recently municipalities are starting to look very closely at their bylaws and saying, "Jeez, allowing you to start before getting certain building permits, we cannot do that any more." So in that last four or five years we did a lot of things, worked very closely with some of the municipalities. Vaughan is an example of a very close working relationship. I cannot say the same for all. But they work very closely with us, in some cases helped us arrange for land. So we have worked closely with them, and planning stats from a regional and municipal basis, we have our staff tracking developments, and we have a factor that we apply for projected enrolments and we, for all intents and purposes, have been pretty close.

**Ms Haeck:** To what degree would the ministry be able to assist you—not just the Ministry of Education but the government in general, even the Ministry of Municipal Affairs, in providing, say, an obligation on the part of the municipalities to be working with the boards of ed in order to provide the kind of services so you could be meeting the demands of the educational system further down the road?

**Mr Virgilio:** If I may, I think that it is part of the planning process. The municipality can give us figures on the number of subdivisions to get approved. But having said that, knowing that the numbers are going to be there, we have on many occasions had to wait, and there have been schools that have been badly needed and the ministry has not given us the allocation we needed. That was the reason why lot levies were such a great idea, because then the moneys would be available as the projects came on stream. Now, that may be taken away from us again and we are back to where we started, hoping that the ministry



will give us funds to allocate a project we know we need desperately. So it is not really our concern—that has not been, up to this point—dealing with the municipalities, per se. As we have identified the needs and have not got the funding from the ministry, that is where the problems have arisen.

**Ms Haeck:** I see. Thank you very much.

**The Acting Chair:** Thank you very much, Mrs Haeck. I just cannot think of a better way of ending off the

question, and from such a young member. Gentlemen, I would like to thank you for appearing before the committee.

I would like to remind the committee that we are meeting tomorrow morning to discuss Lakehead Board of Education at 10 o'clock tomorrow morning.

The committee adjourned at 1626.

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Provincial Auditor, 1990

## Comité permanent des comptes publics

Rapport annuel de 1990  
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Chair: Robert V. Callahan  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday 27 February 1991

The committee met at 1007 in committee room 1.

### ANNUAL REPORT, OFFICE OF THE PROVINCIAL AUDITOR, 1990

Resuming consideration of the 1990 annual report of the Provincial Auditor.

#### LAKEHEAD BOARD OF EDUCATION

**The Chair:** We will get started if we can. I understand, Ms Remus, you are going to deliver a—I am sorry, is it Remus? Which is the last name?

**Mrs Remus Joseph:** Sorry. I do that to confuse everybody. Remus Joseph, if you do not mind.

**The Chair:** Right.

**Mrs Remus Joseph:** My first name is Margo.

**The Chair:** Okay. Would you introduce, for purposes of Hansard, the two gentlemen on your right and left? Then proceed with your statement, which has been distributed to the members, and then there will be questions from the members.

**Mrs Remus Joseph:** Thank you very kindly. An apology: Having just been on a flight, I am not sure I am going to hear absolutely everything until I sneeze a few times. Immediately to my left is our director, Jim McCuaig, and to my right, Bob Allison, who is the superintendent of business with the Lakehead Board of Education. I certainly appreciate the opportunity of being here this morning and speaking with you.

Ladies and gentlemen, we would like to thank this committee for the opportunity to respond to the inspection and audit of the Lakehead Board of Education and to share with you our assessment of the value of this process. It is the opinion of the majority of the board of trustees and the management group that the provincial audit was a useful exercise that confirmed that most aspects of financial control were adequate.

The Lakehead board is committed to continuous improvements, and the audit has assisted in highlighting areas of control where improvements were required. We also believe that, as the first school board to experience an audit by the Provincial Auditor, our comments may be helpful in improving future audits of school boards in Ontario.

The audit's general findings indicate that most aspects of financial controls are adequate, or would be found adequate once our ongoing planned improvements were fully implemented. It is difficult for trustees who may not be familiar with audit procedures and financial control systems to judge how serious the deficiencies are, in relation to the total framework of internal control. Therefore, trustees must rely on the independent professional judgement of the Provincial Auditor to assess the overall weight they placed on individually identified deficiencies versus our organization's overall internal control procedures and practices.

Deficiencies in any organization, when taken out of context, can be blown out of proportion. Therefore, we believe that a wide-ranging audit covering the key areas of an organization is important.

We are pleased that Lakehead's audit covered such a wide area as payroll, purchasing, and transportation which represents 91% of our \$98-million expenditures in 1988.

The audit, which took place over a nine-week period and involved five professional auditors, would have to be considered a comprehensive audit by anyone's standards.

I believe it is quite easy for people to focus only on the areas of deficiency. However, I believe we also have to give equal focus to the areas where no deficiencies were found, yet do not appear in the report before this committee.

The board's planning and management of capital projects followed the procedures established under the ministry's capital grant plan and our board's Management of Major Capital Projects Manual. This section of the auditor's detailed report was titled, "Good Capital Project Planning and Management."

Enrolment-reporting procedures were found to be in accordance with Ministry of Education guidelines which accounts for \$46 million in revenue to our board.

Several other areas were also covered in the detailed audit report which are not covered in the report before the board. These areas include the audit of the director's discretionary expenditures of \$17,000 which covers communication and miscellaneous expenditures, which were found to be in order, but lacked full documentation. Policy and procedures on movable asset management which were found to be inconsistent and decentralized will be reviewed, formalized and implemented in late 1991.

It was also noted that our financial reporting software is dated and cumbersome. This is a provincial-wide issue as most school boards are using the same software that was developed in the 1970s by the Ministry of Education. The Lakehead board is trying to initiate a review of their software by the ministry.

The audit also concluded that the directors and superintendents were paid in accordance with their respective agreements and that their performance had been formally assessed.

The audit also reviewed our board's long-term planning process, our goal-setting and performance review system, but no mention of these areas were made in the report. We believe that audits should cover more than financial controls and should cover all the key management functions of planning, organization and control.

We would now like to share with you our reactions, concerns and plans to deal with some of the specific issues identified in the audit report.

In purchasing, the area of concern expressed was the lack of documentation to demonstrate compliance with



board policy, or to demonstrate effective control over purchases. We have put staffing in place to ensure fuller documentation of transactions to comply with existing policies. A full review of purchasing policy, procedures and internal controls will be undertaken in 1991.

We are investigating contract buying and central warehousing to increase purchasing effectiveness and efficiencies. Purchasing and quotation limits, which have not been increased since 1977, will be reviewed for relevancy in today's environment.

The auditor noted that we do not tender our transportation contracts as a matter of policy. There are several reasons for this practice, the foremost being that although tendering may obtain the lowest bid, the board may also obtain the poorest operator who will cut corners on driver training, mechanical and safety maintenance, and service levels to our students. This may cost the board more in the long run as it may result in creating a ten-year monopoly for a single operator.

As stated in the audit, our costs are comparable to other boards" which is interesting because vehicles' operating costs in northern Ontario are higher than average. If the board, through its membership in the Ontario Association of School Business Officials transportation committee, discovers our costs are no longer comparable, we have retained the option to tender.

In 1987, transportation policy was changed to provide a service comparable to the Lakehead Catholic school board. This action increased our management of bus routes by 32 buses, a 20% increase. Additional staff was requested at that time to administer the increased load, but it was a board decision not to increase staffing at that time.

Physical audits of route lengths were discontinued from 1987 and 1989. However, route lengths were continuously estimated using detailed maps, and actuals are compared to estimates for reasonableness. Subsequent to the audit, staffing increases were approved, a thorough review of policy and procedures has been completed, and a computerized transportation management system of routing has been tentatively approved. Twelve route audits were also undertaken in 1990. The audit of 6% of our total routes, which covered 2,086 kilometres per day, discovered the board was undercharged by 19 kilometres or 0.9%.

In late 1987, a major reorganization of our business and plant department took place. At that time our budget process was identified as being weak.

As recognized in the commentary, significant improvements were made in 1989 and continued to be made in 1990 and 1991 to improve this process. We still need to tighten our budget variance and transfer approval methods. However, formal policies and procedures are now in place.

Onetime infusions have always been identified year over year as part of our standard budget documentation program. The item that generated this comment was a permanent increase of \$130,000 to our supplies budget, as our past budgets were inadequate and this size of increase was needed to bring our annual budget in line with current needs. Planning and budgeting is an area where continuous improvement will always be a priority.

The under-utilization of schools continues to be a significant and, at times, emotional issue with all stakeholders in the system. From 1979 to 1990, the Lakehead board has closed eight elementary and two secondary schools. In 1991, another high school will be closed, which we hope will be the last secondary closure for the next decade, as enrolment appears to be stabilizing. Our elementary system has stabilized as well and we will shortly be undertaking a facilities requirement that will identify the long-term needs of the system.

In the area of payroll transactions, the area identified as a weakness was the control of payments for overtime and supply teachers. The area represents approximately 2% of our instructional salaries and wages, or \$1.3 million in total. The average transaction in this area represents one day's supply teacher costs of approximately \$130, which translates to 10,000 transactions per year.

Based on an audit of 1988 information, the areas of weakness identified were mainly of ensuring authorized signatures were documented, and that all time sheets were properly authorized and valid. In 1989, prior to the audit, procedures were put in place to address this issue, including auditing 25% of the transactions.

The other main area of concern was matching supply teacher payments to teacher absenteeism rates, or records. This is a province-wide issue, which we believe will be addressed with the Ministry of Education's newly developed integrated payroll and personnel system, which we hope to have fully installed by the end of this year.

In conclusion, we believe the audit has been a valuable process that has proven our system to be adequate, but has helped push the organization towards tighter control. It is very easy for the public to become overzealous, in fact, almost vindictive, when a real or perceived wrong occurs. Only through independent, impartial, professional audits can the system be judged fairly. We believe that fairness and reasonableness must prevail. We cannot allow our institution to be audited into inaction. If the audit results were satisfactory, and if weaknesses and deficiencies are corrected over a reasonable time, all stakeholders must learn to accept the reality of the situation and not clamour for more audits until something is found to be deficient. The wording of the audit report does not appear to consider local sensitivity to the board. The word "adequate" does not convey a positive tone. Areas that were found to meet every policy and practice criterion were described as being adequate, while areas that had documentation problems were described as weak. These words can easily be given undue weight by the general public who are not familiar with an auditor's terminology, or by special-interest parties for their own purposes.

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The role of the board's independent auditor and the provincial audit is only part of the total internal control system of an organization. For an internal control system to operate effectively, it is essential that the organization's objectives, structure, and policies be clearly understood by all members. We believe this is the case at the Lakehead Board of Education. The internal control system is management's tool to ensure that factors which it can control,



including the organization's employees, operate to achieve the organization's objectives.

We also recognize that there must be balance between the cost of implementing the control and the potential benefit derived. As all major manufacturers know, you cannot inspect quality into a product. The proper process control must be in place at the first step of the operation to ensure optimal conformance.

It is management's intent to provide for a periodic evaluation of internal controls to ensure that: (a) the internal controls are operating as intended; (b) the controls are still relevant to current operation; (c) areas and scope of responsibility are in accord with the position to which they are designated; (d) employees are operating within their scope of authority, and that authority has not been shifted without approval; (e) operating reports are still relevant; (f) all internal controls are cost-effective; (g) operating objectives and activities are consistent with the overall board's objectives.

I must also note that as chair of the board I have no more authority than any other trustee. I can only represent the majority decision of the board, which I must assume to be the will of the electorate. I am pleased to say that my personal opinions are the same as the board's in having accepted the Provincial Auditor's report.

**Mr Cousens:** I appreciate your being here, and I do not like your conclusions. Maybe I have the wrong sense that is coming from it, but what I hear coming through is almost a feeling that you were—at the very beginning you said you were pleased to be part of the audit process and all this stuff, and at the ending, "We believe that fairness and reasonableness must prevail. We cannot allow our institution to be audited into inaction." Then there is a general sense that things are perfect and would have been okay if you had not had an audit. I have a feeling that there have been enough things brought up through the auditor's review of your board of education, that he has done a favour to the taxpayers of Ontario to have a look at it, plus every other board he can look at. Can you just maybe take away that, what I call, hook to your sentence, "be audited into inaction," and the sense that the audit seems to be almost a waste of time? I resent that. If that is what you are trying to say, this line of questioning will take an angle you are not going to like at all.

**Mrs Remus Joseph:** I certainly would like both Mr McCuaig and Mr Allison to comment to that, if I could. Certainly I believe that participating in this audit has provided us with an opportunity, in fact, to improve our system, and I am pleased with the results; I am pleased with the information that we have received. My perspective is that we will be a decidedly better board because of the process. So that really is my general intent. If either of the comments suggested otherwise, that is certainly not my belief, and not what I would like to convey.

**Mr Cousens:** What did you mean then by "audited into inaction"? The York Region Roman Catholic Separate School Board was in yesterday and they spent 3,500 hours with the auditor. I know the director really felt that it was a lot of time but he did not have anything that would come

along and indicate that they were audited into inaction. Maybe your director would like to comment on that, because what you are really saying is that the auditor is getting in your way and you are trying to do other things. I just think that if that is the attitude in the system, and I think the chairman of the board—I appreciate your direction. I was a chairman of a board for a time and I think there has to be a tremendous sense of co-operation with this process.

**Mr McCuaig:** If I may respond to that, I think I said when the audit was initiated that we found it a valuable process and we are pleased that it was done. As the chief executive officer of the board, what I found the most valuable about this audit was it confirmed what I already knew about the organization. It confirmed what the board knew about the organization. I think that is very positive. It would have been a little bit devastating had you not known your organization. So we saw it as very valuable. There is no question that the timing of the audit was not the best for us, being between business superintendents and having staff issues internally. So that was not easiest on staff, but I felt we had full co-operation from the Provincial Auditor's office and I personally found it a very positive experience.

I think the issue, though, and I think it is alluded to in the chairman's remarks, is that if you understand that political situation in Thunder Bay—it became a public debate. We feel that when you are dealing with the local political level, how it is approached and how it is reported is very important because it can be used differently, and it has been used by some people to see that we should be audited more and more and more. I think it is not a reflection on what the audit report said; it is a reflection on what could be a direction pushed into the future. Those are, I believe, the comments.

**Mr Cousens:** That gives me a perspective to it and I appreciate that. I think that when I looked at the auditor's report—I am sorry.

**Mr Allison:** I have a bit of a different perspective in that I just joined the organization six weeks ago.

**Mr Cousens:** That is a good perspective.

**Mr Allison:** I come from the private sector, from the automotive sector, so I had very little to do with education before coming to this organization. One of the major concerns in moving to this organization was the reputation that it had. I talked to some people in the Ministry of Education and some other boards and the audit perception was that it was a really inadequate board; it was really in trouble. So before I accepted employment, I asked for a copy of the audit and I talked to internal auditors. From the audit report there were definitely areas identified, but it was not a huge mess, and since arriving in Thunder Bay six weeks ago, what I found is that the organization is still defending itself against audit reports.

They are spending too much time in dealing with audits. There is a huge clamour for more audits and I do not believe right now that they are useful. I believe we have to get on with resolving the issues that were identified in that audit and improving our control and making the organization



a better place. And I will be frank: Those words are my words.

**Mr Cousens:** Mr Allison and Mr McCuaig are bringing a perspective that is part of a community and I guess that is helpful to us. I had a reaction and you have helped calm me down a bit. But I have to say that the process that we are following through this standing committee on public accounts, and I have been on this committee intermittently for 10 years, does a great deal of good for the public purse and it is one place where we share a common interest to get value for our dollar as best we can out of the system. Our committee members are very astute in going through the purchasing and the tendering process and some of these things which will come up in discussions.

I have one more generic question that comes out of a statement that was made and I asked this question yesterday of the York Region Board of Education and I want to ask it of you. It has to do with a statement made by Mark Larratt-Smith, assistant deputy minister of the ministry, when he said, "All school boards in Ontario must have equitable financial resources to provide a base level of education programs and services." That is one of the two underlying principles of the ministry.

Yesterday when I asked the York board, they made it clear that that is not their view. They have got a deficit of \$18 million and they do not think that there is an equitable financial resource across the province to provide a base level of service. What is your view as a board on that statement from the Ministry of Education? The next thing that happened is that the York board almost admitted that they went and cooked the books at certain times in order to help make certain things happen, and we had bigger dollars than were involved in this one. Could you comment on that statement from the ministry?

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**Mr McCuaig:** If you want to raise the ire of directors of education in the province, talk about equitable funding and enough funding at local levels when you look at double-digit tax increases over the last several years. We could throw arrows all over the place but I will not. Certainly one of the basics of financing education in Ontario, the mechanism is for equitable financing and it is, I think, better than not having a local tax base, although when you talk equity between public and separate, there are some differences. From a theoretical basis, if we are all playing on the same playing field, the funding should be similar. We are not all playing on the same playing field. Our contention is that the separate schools have different rules than the public schools.

First of all, as a public school system, we must take anyone who wishes to come from anywhere. So that is a very big difference. We do not hear many public debates about religious education in the separate school system. The time and money that this board has put on it in the last four years has been pretty phenomenal. So there are some very big differences. There are also differences in deficits. We cannot run a deficit by law without prior approval of the Ontario Municipal Board. Separate schools can. So there are some real differences.

**The Chair:** Is that right?

**Mr Jackson:** Yes. It was established yesterday in the record, Mr Chairman. I raised that with the staff and they confirmed it.

**Mr McCuaig:** So I guess the point is that coterminous boards are not fully coterminous. Our area covers a much broader area of unorganized townships and other communities than the separate schools. So it is not quite a level playing field, although conceptually I cannot disagree that there should be equitable financing.

**Mr Ruprecht:** I want to follow up on Mr Cousens's line of questioning. This is supposed to be a reasonable process of checks and balances and I think we just talked yesterday about a sort of balanced approach to the whole issue.

I am wondering about two things. One: When you in your conclusion describe the audit using words such as "adequate" and "weak," my first question would be, what would you like to see substituted? Is there another way that you can describe to this committee that would change the perception of the public that really there is nothing wrong or there is little wrong or not much needs changing?

**Mr McCuaig:** I am sure the chairman may wish to comment on this also, but from my position in working with the board that has some interesting political splits, which is not abnormal in the province, the words get used in public in various ways. I have to say to you as the chief executive officer that I am very proud of our organization and proud of this audit. But it is really a little frustrating when you look at enrolment, for example, which is \$46 million of our revenue and there was not one error in any of the samples, and the comment is "adequate," not "excellent." Adequate, to the public, does not mean excellent. It does to an auditor, I expect, and I think that was the comment that this is a different type of audit from your normal audits which are of internal government agencies. This is an audit on a local political level, and I think the comment is that the way you report it is important. That was our frustration.

**Mrs Remus Joseph:** If I might briefly comment too, from my perspective. Because the complete audit was made public in Thunder Bay, when you use a term such as "adequate," to my ear and the public ear that means barely 50%, 51%. We, in our society, seem to use superlatives all the time. Language, you know, is interpreted so differently, and auditors' language seems to be decidedly different than public language.

I guess the other thing is that I readily receive the information received in our audit, but to explain it to the public I somehow need to put it in perspective and not only comment on the things that were, in auditor's terms, adequate or weak, but things that maybe we are doing well. I am not suggesting particular terms, I am not suggesting superlatives, but just terms that are better understood by the public.

**Mr Ruprecht:** Mr Allison, do you want to add to this?

**Mr Allison:** I guess I have the different perspective. When I saw "adequate," I was happy with that, being a financial person.



**The Chair:** It was adequate.

**Mr Allison:** Right. Did the job.

**Mr Ruprecht:** My second question seeks more clarification from your statement when you seemingly are telling this committee that this audit or audits began to get in the way of your normal processes of operating. I am wondering whether you have any suggestions of how differently the province should do the audits so that it would not get in the way of your normal procedure.

**Mr Allison:** If I gave you the impression that I am talking about this audit in particular, I am sorry. What we have is a lot of people clamouring for more audits within the Thunder Bay community, such as another audit within the next year. That is a problem I am having: that I want to make sure that what we do right is deal with the issues that were identified, get the procedures in place, and then build. But what we are having is requests for another audit next year, within our group, and that is why we are talking about "audited into inaction." If we are going to have a significant provincial audit every year or every two years, I think that is inappropriate. I think what we have to do is be held accountable for the action plans that we put in place in responding to the audit. But I do not think that we can continually spend, every year, time on the provincial audit. We have other control systems in place. I think we would like to share with other boards the experience of having a provincial audit. I do not think we should hog it. And that is a genuine concern. I have been there six weeks, and I would say I spent about four of those weeks dealing with audit-type issues. I think I can do a better job to the taxpayer by dealing with some real cost issues. So it is a balance.

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**Mr Johnson:** Continuing along the same sort of questions, I guess, not unlike what Mr Cousens has already asked and Mr Ruprecht, it was interesting to hear Mr McCuaig say that it confirmed what was already known, because I think it is certainly indicative of being knowledgeable about your own organization when you can make a statement like that. But it is unfortunate, maybe, that the information that was already known by the board became public.

I have taken some exception to the tone of your presentation, I guess, because I feel it is unnecessary. As a committee of public accounts we have to ensure that public funds are used in the best possible way when they are allocated for whatever purpose around the province. I would suggest maybe that you might want to blame the press and not the auditor for how it was perceived by the public. The press tends to want to sensationalize anything that they can get their hands on that has to do with governments, boards, or agencies of government.

Maybe it is not up to the auditor to point out those places that your board is doing what you would perceive, and possibly we would perceive, to be those things that were done well. But certainly it is his job, in his all-encompassing audit, to find those areas that are, unfortunately I have to say this, less than adequate. So I think he has done that. But would you not agree that this is—and you have indicated already

that it is—a very valuable exercise? I am not so sure that it is necessary that you again are audited year after year after year to ensure that any shortcomings that have been identified are in fact better managed or looked after.

The other thing too is, I think when we look at areas that are less than adequate or might be identified as shortcomings, you have an opportunity today to tell us why you did what you did with regard to some of these things, especially in the areas of transportation and tendering out, for example. I just would like you to comment on that.

**Mr McCuaig:** May I correct any impression that we have any concern with the auditor's department on this? I think what we are trying to put into perspective and which would be valuable to this committee, since politicians, I think, understand the public arena very well, is that this is an audit in a local political context. If we can help you at all it is to say that when you are in a local political context, be sensitive to the local political context. It is a little different from auditing a ministry. This was new to us and new to you. And I think the auditors handled it extremely well. I have no issue. I also say that we are very pleased with the results. I am pleased as the chief executive, for the reasons I said earlier, but also because it did initiate, through the budget, staff where we have said we needed it for years.

As you are probably aware, in the political level when we have to set the tax rate next month or so, the places that get cut most are places that do not show. Classrooms get cut last. That is not a bad idea, but when the infrastructure starts to create problems, it is harder to get a staff member to work in the purchasing department than to add a teacher. That is the local politics and that is the reality of school board politics in this province.

So I think what we are saying to you is that we are very pleased with the audit. We are very pleased that it identified some areas that we were able to get staff for. I am personally very pleased because there were not any surprises. However, understand the context, and recognize that we are pointing out to you some of the internal issues around audit, audit, audit, rather than produce, produce, produce. So that is really the context. We were not hopefully taking any shots at the opposition party.

**Mr Johnson:** The expectation is the school board will do its very best always, I would think. I think that is an expectation that the public has, and it is a perception they have that you will do your best. So all the audit does is point out areas where it could be improved.

**Mr McCuaig:** Sure. But I guess to put it into context, when we have come in with double-digit tax increases and an inflation rate of 5%, for many reasons that we can discuss at other times it is very difficult to say, "I need a purchasing person." Obviously those are the types of things that do not get as high priority. So you have to, I think, understand the local politicians. The audit was helpful because it identified that area and we now have that person. But it all costs money and does not increase what happens at schools. So I just want to balance the local context; that is really my point.

**Mr Jackson:** Let me just state for the record how very, very pleased I am to hear how very, very pleased the



director is with his report card on his audit. I think I have heard you say "pleased" about 20 times up to this point.

But let me ask a couple of questions. First of all, as a director of education you carry two hats. You carry the hat as a chief financial officer for the board, and you carry the hat as the chief education official. How do you reconcile those two hats that you wear under the Education Act? It is unique to this transfer agency, unique to all other transfer agencies in this province.

**Mr McCuaig:** I am not—the treasurer of the board, who reports direct to the board, is the business official.

**Mr Jackson:** That is correct, but in your written mandate as executive director, you have a responsibility to your corporate board. Your financial officer does not sit on equal footing with you. Your mandate is to be responsible for taxpayers' dollars and educating children. How do you reconcile? Do you approach that in equal measure, in disproportionate measure? How do you reconcile that?

**Mr McCuaig:** I guess I reconcile very simply. My personal belief is that my job, or our job, is to provide the best possible education under the financial limitations, recognizing very clearly that in an education institution you will never have enough. So how do you balance that with the local tax rate and what we have to expect from the public?

**Mr Jackson:** You have described a siege mentality as opposed to, say, more of a proactive statement which might include, as I have heard one or two directors share with me, that we want to enhance educational opportunities by maximizing all those dollars that were given to us from all our varying sources. That definition is somewhat different from a definition which has, as its basis, a siege mentality.

I want to shift to Mr Allison, who fascinates me with a private-sector experience coming to the board and suggesting a couple of things, one about how pleased you were, as well, with the report card from the auditor, but also that somehow, in your six short weeks, this was rather positive by relation to other boards.

It is unfortunate that you were unable to be with us for the two days preceding, where we discussed this point at length about the relationship with the district offices, but I am reminded of the phrase that in the land of the blind, the one-eyed woman is queen. You very much give me a sense that, relative to all the other boards, we are not doing all that bad.

So let me ask you this question: Are you aware that the auditor had a rather limited audit of your board and that there is potential for a far more extensive forensic audit; that option is available and this committee might be able to recommend that a more intimate and detailed audit might be taken of a board? What are your views on that?

**Mr Allison:** If the auditor believes it is in—I guess if this committee believes it is warranted, it is going to happen and we will deal with it as it happens. When I said that I was reasonably pleased with the report, I had been led to believe by some people that it was a completely negative report, and when I was looking at employment with the organization, I read the report. I read that it was not a

completely negative report, that the board had some basis to grow with.

We think, in the organization, we are not going to rest on our laurels and my view is to put that organization as being the best, not to be adequate compared to other boards. I want the business department to be the best in the province.

**Mr Jackson:** That gives me more comfort than your previous statement which had more to do with defining yourself relative to other boards and the opinions of a district office. I am quite concerned.

**Mr Allison:** Can I ask a question? I do not think I used the words "district office."

**Mr Jackson:** You were referring to "within the area" and comparabilities and discussing with other boards. I think there was a brief reference in Hansard to that. However, if that is not our understanding, then let us proceed with another area.

I am quite familiar with the controversies in the Lakehead board with respect to Bill 30 complications. I am familiar with the almost wholesale change in trustees and with the public debate on accountabilities. I would be interested—from the director's point of view, what message do you think the community gave to you with that election, with respect to financial accountabilities?

**The Chair:** I am glad I am not sitting there and Mr Jackson is asking that question.

**Mr McCuaig:** Well, I do not—

**Mr Jackson:** It is a question the media asked him on the night of the election. I do not think I am asking him something he has not been asked publicly.

**Mr McCuaig:** I think the context of an election is a little broader than you are saying. When you say wholesale turnover of the board—

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**Mr Jackson:** Yes. It was greater than 50%, was my understanding.

**Mr McCuaig:** But I think you have to look at the issues that were at hand, and the issues at hand were not, up front, all financial accountability.

**Mr Jackson:** Was it, then, the most predominant theme that was discussed in that election?

**Mr McCuaig:** I do not believe so. Three trustees were elected from one high school area to stop the high school from being closed.

**Mr Jackson:** I am aware of the problems that were associated with that issue, but ultimately it had to do with the issue of accountability. Certain trustees were not shared information—

**Mr McCuaig:** Let me try to put something in context here. Unfortunately, you may be referring to a report to the standing committee on finance. When comments are made, I think it is important that the bureaucrats have an opportunity, as I have today, to respond.

First of all, I think one of the issues—whether it is correct or not correct—is that as chief executive officer I have to uphold the laws of this province, and there is no



question that there were some trustees who wanted information from the board which the board did not feel they should have.

**Mr Jackson:** Did the law protect you in not sharing that information between the executive committee and your full board?

**Mr McCuaig:** Let me say to you that the issue as I see it is individual trustee versus corporate situation.

**Mr Jackson:** My question was, does the law say that the executive committee can share information, and does the law say you do not have to share that with other elected trustees who are not members of the executive committee? That was my question.

**Mr McCuaig:** No, it does not.

**Mr Jackson:** Yet that is what was going on.

**Mr McCuaig:** I do not believe that was going on and I do not know where that information comes from.

**Mr Jackson:** The freedom of information report that I received from the Lakehead board clearly demonstrated that.

**Mr McCuaig:** I would like to talk to you about that because I do not believe any information—my policy is any information shared with one trustee is shared with all.

**Mr Jackson:** I am pleased that is now on the record. I appreciate that.

**Mr McCuaig:** But I think, in the broader context, certainly the message to all of us in this province, whether it be Lakehead board or otherwise, and all politicians, is financial accountability. I do not know how boards can continue to have double-digit increases in taxes without having some great difficulty. But that problem is a lot broader than a local issue, and I recognize that and it concerns me greatly. I do not know the solution to it, but I do say to you that it concerns me greatly. So I think that is part of it. Certainly the school-closure issue, the Bill 30 issue, was directly represented by three trustees on the board, so I think it is a lot broader than you are suggesting.

**Mr Jackson:** I will not get into the Bill 30 discussions of your board. They were mired in controversy and that is unfortunate, but that is a matter of public record and it did stimulate a lot of greater activity at election time. But that is a major dollar-and-cent issue. You would not agree that capital is a major dollar-and-cent issue?

**Mr McCuaig:** Sure, but I guess it is an opposite issue to what I think you are implying, that our administration has recommended many school closures as a financial accountability. The closing of the school that created the controversy was a major financial accountability issue and caused three trustees to be elected against that. That is why I say the politics is a little more complex.

**Mr Jackson:** You have an audit committee now for your board. How long has that been in operation?

**Mr McCuaig:** Since 1979. We have a formal audit committee. I think, in fairness, the executive committee operated as the audit committee in the past.

**Mr Jackson:** That is correct.

**Mr McCuaig:** We now have a formal audit committee.

**Mr Jackson:** And when did you adjust this definition?

**Mr McCuaig:** That was in 1979 with the change of the board.

**Mr Jackson:** Okay. And is your membership with trustees, staff and members of the public, or just staff and trustees?

**Mr McCuaig:** It is members of the board and the public.

**Mr Jackson:** Not since 1979.

**Mr McCuaig:** Specific public, auditors. I am sorry, 1989. My apologies, 1989.

**Mr Jackson:** So the change comes after the last election and at the time of the audit.

**Mr McCuaig:** Yes.

**Mr Jackson:** I just want to establish that. And the members of the public, how are they chosen?

**Mr McCuaig:** It is advertised and chosen by the board.

**Mr Jackson:** Can you just share with the committee the rough numbers? You have three trustees, four—

**Mr McCuaig:** Three trustees, three external.

**Mr Jackson:** Three external. Very good. Can you give us a sense of the kinds of things that this committee has been identifying? They have now operated through fiscal year 1990, almost completed. Did they begin part year 1989-90?

**Mr McCuaig:** The committee has identified many areas and, unfortunately, off the top of my head, I cannot remember a lot of them, but certainly they look at some policies. It has initiated a study of transportation routes for auditing, not the length of routes, but who gets on the bus and who does not. That study is under way at the moment. It has initiated the formalization of the variance policy; it does the review of the financial statements as always. Bob, if you could add to that.

**Mr Allison:** Specifically, they have looked at the variance system. They do review some of the financial procedures and policy reviews before they go to the resources committee that eventually goes to the board. They have also reviewed computerization plans and procedures. Right now they have initiated an audit of a specific segment of transportation, which would be our children being picked up within a half-mile limit.

**Mr Jackson:** Do you find this body helpful to the board?

**Mr Allison:** Yes it is. It is very important to have the three external members. One is a banker, one is chief financial officer of a company and the other one is with an independent accounting firm.

**Mr Jackson:** Has there been an effort to merge the concerns raised by the auditor with the functions of this audit committee in terms of utilizing them as part of the solution?

**Mr Allison:** We use them as sounding boards, but also we have talked about it recently. They are going to initiate a review of the audit in June to see that items which we have identified we were going to do are, in fact, being done, so there is a follow-up internal audit of the provincial



audit to make sure that we are complying with the recommendations that we put forth.

The issue that we are dealing with right now, and it is a major issue, is a motion for an internal auditor/inspector, who reports directly to the trustees, and that recommendation is being looked at by the internal audit committee.

**Mr Jackson:** Could I ask the director if that motion is now a public motion. If it is on the record, could we have a copy of that sent to us, or the chair of the board, I am sorry?

**Mr Allison:** Yes, sir.

**Mr Jackson:** We would appreciate receiving that.

**Mr McCuaig:** I wanted to say on the record that I think the audit committee is a very positive committee for the board. I think the best example I can use is a major report on changing the central computer system. It is very complex and in all the business of the board it can get lost, whether it is valuable or not, but with that committee looking at it, it was very positive that they were able to look at it deeper and from a different perspective than the trustees, and I think it is very helpful.

**Mr Jackson:** I very much appreciate you putting that on the record. Honestly, I do, and I am stating the obvious to suggest that your auditing committees are proceeding further in a fashion that the auditor of this province is not able to proceed; but your local effort involving members of the public in concert and support with personnel at the board, assists us with our mandate of accountability with transfer agencies because you are able to proceed further with these kinds of program audits. The auditor's mandate does not permit him to proceed to that detail. So I am stating the obvious, but I wanted to put it all back into context because I happen to believe very strongly in these audit committees when we work in a co-operative mode with them. If you feel threatened by them, then you are going to have difficulty with them. If there is nothing to feel threatened about, then they can be very much a co-operative venture.

**The Chair:** I think we will move on, Mr Jackson, to Mr Bradley, and if we have more time and we have more questions, we will come back to Mr Bradley.

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**Mr Bradley:** My question deals first of all with the issue of transportation and from that, some other issues related to what will emerge, I hope, from the transportation issue. They talked about the issue of tendering and yesterday we had a submission from the York Region Roman Catholic Separate School Board that, in fact, tendering was not practical for a variety of reasons. I am not going to necessarily go back into that, other than to say that they were looking for some ministry guidelines which would be helpful if they did embark upon tendering.

What activities have you undertaken to synchronize your routes with the Roman Catholic school board in the area, and what sharing of transportation services does take place, either with the Roman Catholic school board or with any private schools that might be in the area with a view to affecting economies for both parties?

**Mr McCuaig:** I will give some general comments. Mr Allison may be able to give more specifics than I can.

Certainly I have as much problem driving to work and seeing buses all over the place as anyone else in this country, and it is a major issue. Since we have been able to co-ordinate our policies on transportation, although there are some issues around that, we have recently been able to work with the separate school system. The director and I have set up a formal sharing of contracts for economies of contracting. We are attempting to look at the urban routes, specifically, to see if there are ways that we can use similar buses. There is a difficulty, and I think it is probably province-wide, in the policies of different boards. We had very strict limits, the separate school did not, and so you had to get together on your policies. The separate school picks up door to door, we pick up at designated spots, so there are some issues that have to be dealt with, but we both recognize the frustration of it as well as the cost, and we are attempting to do some sharing in that area.

**Mr Bradley:** I recognize this is off the top of your head and sometimes you want to be able to think about the consequences of what a question is and it is difficult in a committee, but let me throw the question at you, nevertheless. Would you appreciate, or want, or find useful and desirable, a province-wide transportation policy which would affect all boards of education funded by the province, and let me break that down a bit to say: or a regional policy, because a policy in remote areas of the province, or rural areas, might be different than an urban area and north may be different from south, and things of that nature? Would you find that useful or would you prefer to have boards left with the freedom to have their own policy?

**Mr McCuaig:** Let me say to you, and I am speaking from the management perspective and not the political perspective, obviously, on this, I believe that the grants have been too open-ended, so they encourage transportation rather than encourage people looking carefully at transportation. I believe that boards have been forced to compete with each other for students, based on transportation. I think that is very false economy, to be very frank, so one thing that needs to be done is that the grant structure should encourage prudence, rather than encourage more transportation. I am not sure, from the political level, whether the horse is not out of the barn. The public these days want their kids transported for many other reasons, including safety, so it is a very difficult issue. It is very difficult to pull back, but I think it has gone too far, personally, and stronger provincial direction would be helpful from the management perspective.

**Mr Bradley:** Let me look at a couple of other areas because I want, as I did with the board yesterday, to explore this. One is co-operation between boards of education. Right across Ontario there appears to be a number of groups that are forming to keep a check on education spending or the spending of a city or a region or a county; in other words, the spending at the municipal level. They have various names they would use to describe themselves and those who are under scrutiny have various names to describe them, and they do not coincide. The member for



Chatham and district, right down to Wallaceburg, Chatham-Kent, it would be, suggests that I give those. I will not.

The question I want to get into is: How much co-operation do you have in the area, for instance, of maintenance? How much do you have in the area of purchasing? You have answered transportation, which you are looking for there, and also something that sounds rather radical when two directors of education have to get together, both of whom are involved in a competition for students, and that is the sharing of actual properties in schools. In Lincoln county—I represent part of that in my constituency of St Catharines—I have two schools which are located on the same property, in the same building. One is called Michael J. Brennan, a Roman Catholic school, and the other is Pine Grove. The two principals find it fine, the staff find it a good experiment, the students seem to get along, the parents do not seem to object. That is as far as I will go without getting into trouble with the opinion of others of this setup. Are you contemplating or embarking upon any of those instances where you could utilize the same building and the same property? This is at the elementary level and they are in the same building. Of course, there is a separate wall, a separate staff room and so on, but it is the same building for heating purposes and electrical purposes and water purposes, and the same property out there. I do not think it is the Catholics against the rest, battles in the schoolyard or anything like that. In the areas that I have mentioned, what efforts are you taking, as a board, along with your Roman Catholic board in the area, to bring about those savings to the taxpayer by having that kind of co-operation? Since the province says it is going to pay 60% of the cost of education, my guess would be that if they are going to pay it, you are going to pay a big price, a justifiable price, perhaps, at the local level to effect the economies.

**Mr McCuaig:** First of all, let me say that it is our belief in the north that there must be co-operation, not only with the local board but, being the largest board in the area, we co-operate very effectively with all school boards in the north. We are presently providing computer expertise to North of Superior separate school board and Nipigon public school board on a no-cost basis, and that is because we believe we have that commitment as the largest board; those resources are very difficult for small boards. We do that with curriculum materials, we do that with a variety of areas. You talk about the Christian school; we are just setting up an agreement with the Christian school to share some of our resources with them, our media resources, etc.

The separate school director and I and the business people are meeting—I mentioned earlier I do not want to get specific because this is on the record—looking at bus contracts and we see significant ways. We are working together on putting the contracts together. There will be major savings for both boards in bus contracting. We have a consortium of all public agencies for purchasing in the north, so it is not only involving us, it involves the city and the hospitals and the separate school board and us. We have had, as much as the controversy in the last election, very great success in the Bill 30 area of turning over two high schools. Certainly it caused some difficulties but it

has caused difficulties everywhere. We never would have gotten to the first stage without a war without that co-operation, so it is something we believe very much in.

I believe, and I may be incorrect here that, provincially, separate schools have a policy, written or unwritten, that they do not share resources, will not share schools. We discussed that under Bill 30 and that is basically a position that certainly is not open for much discussion when it is sharing the same building. So we are not doing that, but we do share, we have had no problem turning over facilities. I think Mr Allison may comment on a recent one.

**Mr Allison:** We called in all the bus operators to get their input how they felt about us starting to share routes and they were quite positive about it. I see some big advantages. Let us say for transportation, we would, between the two boards, purchase all the fuel and really start to drive prices down. One would be able to really understand our fuel costs and we could administer it a lot better and we would get some significant economies. We also share our computer services with the Catholic school board, we do provide computer services. Being in northern Ontario, I think there is a lot of room for improvement in consortium-type buying, and possibly what we are looking at is maybe a central warehouse for five or six boards in the north, because our transportation costs are quite prohibitive. We would bring in bulk and we could do a much better job of reducing costs with a warehouse purchasing consortium among several boards and other institutions. That is an area that I have currently under investigation. So on bus transportation I think there is a big area for improvement, and it is not reducing profits for the bus operators. It is getting costs out of the system, and that is an approach that we have to take because we have to get costs right out of the system, and I think we can do that by extending that co-operation, so that is now ongoing. It is high priority with our transportation group.

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**Mr McCuaig:** One area that we have been co-operating on for years, which is mutually beneficial, is the film tape library in our media centre. We run it for both systems, so it increases the number of resources available to all teachers in Thunder Bay. We have more films because we are co-operating.

**Mr Bradley:** What about the field of maintenance? I am not talking about the individual caretakers and individuals who work within a school and are assigned to a specific school, I am talking about general maintenance where you have a staff that goes around to do the work that is not in the category that the caretaker would do, more extensive repairs and so on. Is there co-operation in that area or could there be co-operation in that area to effect some economies?

**Mr McCuaig:** I am not sure we are unique in this one, but we never have enough maintenance in the schools, so I do not know what you share. Second, we have two very different philosophies on how we manage it. We have a staff. The separate school custodians do minor maintenance and, I believe, contract the rest of it. It is an interesting concept I had not thought about though.



**Mr Allison:** I think it is a very good concept. How do you take that organization outside and handle the accounting and handle the contracts? That is going to be the difficult issue. But even if you have two boards with maintenance staff, if you could trade expertise, if one has an expert boiler-maker and the other one has an expert electrician, if we could start moving the trades to handle the needs, I think we could get some big advantages. It is going to be down the road, but I think it is a good idea.

**The Chair:** We will have to move on, Mr Bradley.

**Mr Bradley:** There was a supplementary Don Cousens had in terms of municipal co-operation, and maybe if he could get that in now, he would be hot off the fire, the one on municipal co-operation.

**Mr Cousens:** Jim was asking the question about transportation; just to tie it in, the use of municipal transport, does that help you at all in your busing? Separate, public and municipal, we are all together; it is the same taxes.

**Mr McCuaig:** Except that the Lincoln school division is much broader than the municipal, so our transportation department is significantly larger than the municipal; and municipal—it is a little bit hard to get them to worry about school bus routes when they are looking at major routes of pickup. We do use it extensively for secondary schools. We use the bus pass concept, so we do use high schools extensively. If they are beyond two miles we provide bus passes for city transportation.

**Mr Cousens:** Okay, thank you, Mr Chairman.

**The Chair:** You have asked the question I was going to ask too, but I will take you off the list now.

**Mr Cousens:** Oh no, that wasn't my intention.

**The Chair:** I thought you were back on the list. Okay, Mr O'Connor.

**Mr O'Connor:** Thank you, Mr Chair.

**The Chair:** I thought Mr Bradley was just trying to use an end run to get you off the list.

**Mr O'Connor:** It did not work anyway. I want to thank you for coming down here today. I think you brought the cold snap with you. We are feeling some of that.

**Mr McCuaig:** We thought it was warm.

**Mr O'Connor:** You thought it was warm, for us it is a little chilly. One area that I was going to ask about was the audit committee and you have answered that. Another area that you might want to share some discussion around the audit committee, perhaps, is with the separate board and maybe they want us to share some discussion with audit committees. Economies of scale might be one area. One area that came to my mind, and I imagine it refers back to Bill 30, was the underutilization of schools and it appears there was a tremendous amount of underutilization of schools. The auditor's report had spelled out quite a bit about the underutilization of schools and I was looking for the response on your side of the auditor's report and I have not seen it. You have mentioned it to us in your submission today and I think that in one area alone, it would be a substantial amount of money. So when we talk about the auditor's report saying the control that you have under the

auditing process is adequate, I think it points to the fact that it is not terrific when you spell such underutilization that—it has been adequate, you know. You are moving much faster now in transferring the schools and everything else. Perhaps you could share some of that because, as I said, Bill 30 and the under-utilization of schools—maybe you could share some of that with us.

**Mr McCuaig:** I think the auditor erred slightly in the comment. It showed up in two different places. I believe it commented that the administration was slow in underutilization and recommending school closures. I believe the Chairman would agree that it is the trustees who slowed it up and not the administration in that area; and I understand that. School closure, for those of you who have been on school boards involved with it, is a very, very emotional issue. We have closed many schools, something like 17 or more in the last 15 years or so. It is basically, in my mind, the way you make real dollar savings; if you have the same students and fewer facilities, there are major savings. We have been very aggressive in closing schools in the past.

It was prior to the last election that, I believe, the auditor was referring to, where there were two reports on the books to close a high school and to amalgamate six rural schools into two. That in fact became the election campaign. The board turned over. Those two major projects were put on hold. We were even taken to court over one of them so it is easy to say we were not quick on it, but it is a very difficult political issue.

**Mrs Remus Joseph:** I was part of the previous board and I certainly think at that point the direction of the board was that we needed to study very seriously the utilization of schools; and so previous to this board we did initiate that. However, with the election, the suggestion was that part of the changeover really was due to financial accountability. It was also significantly due to the potential closure of a high school and some small rural schools so I do think that the previous board, and certainly administration, have worked very hard in that area. But this board at this time perhaps has not moved quite as quickly in that area.

You also, I am sure, appreciate that a study of a school necessitates a great deal of energy and, as you know, we deal with many more issues than potential school closure. One of the problems with the previous board is that we tried to be much more assertive in that area and we found that it perhaps was too much to cope with because there are extensive opportunities to try and dialogue with the community. That is very time-consuming but it is very—I cannot think of another term other than really “energy-sapping.” It has to come from somewhere, and it may take away from other program issues or financial issues that you might have.

**The Chair:** Mr O'Connor, I wonder if you would yield for a supplementary that I am told Mr Jackson has. We will determine whether it is a supplementary.

**Mr O'Connor:** Okay, We will allow that, sure.

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**Mr Jackson:** Thank you very much. I am fascinated by your response because this committee has already had some insights and heard that the process for transferring



schools under Bill 30 has gone through a four-phase evolution. The third phase was the private meetings between Frank Clifford and directors of coterminous boards. Since the committee is aware of that, and the ministry acknowledged that in its presence here before us, part of the controversy, as I understand it, is that such a meeting was undertaken at the Lakehead board and the results of those negotiations, which were perfectly legal within Bill 30, were not shared with all the trustees.

Now the director has provided a further clarification, but the point here is that the information was garnered from a freedom-of-information inquiry. This was reported extensively in the media and, as such, created much of the controversy. We also know that four or five other boards had similar types of arrangements that were not necessarily given full public scrutiny. I want to give you the benefit of the doubt because this was going on in all boards across Ontario to some degree. We have four identified areas in this province where those arrangements have blown up, fallen apart, become unattached, but to suggest that there was a procedure that had some difficulty, falls short of this committee's understanding of a procedure that was done very much legally behind closed doors, that some trustees in this province found objection to.

**Mr McCuaig:** I appreciate the opportunity to respond to this.

**Mr Jackson:** Very good. That was my supplementary.

**Mr McCuaig:** Let me say to you that, prior to any negotiations with the separate school board and the Ministry of Education, the entire board, in camera, agreed to it. They also agreed to it knowing the pros and cons of it. It was entering into an election year. At every step along the way, the board of education in an informal meeting—and there is where the difficulty arose and I would do it differently in retrospect—every member of the board was apprised of every step of the way. That is not what came out in the election campaign and that is not what has been publicly stated by some people, but I can assure you that every member of the board was involved every step of the way.

There were a couple of points where a couple of trustees chose to leave a meeting. The difficulty was because of the process that the ministry was using. It was not allowed to be a formal meeting; we were not allowed to keep minutes. And I can tell you, in retrospect, I would not do that again. It was at the ministry's insistence that it had to be done this way; but contrary to what you have read and what you saw in the paper, they were not secret meetings. The trustees knew exactly what was going on at all stages of that development.

**Mr Jackson:** If my colleague, Mr Johnson, will permit, I just want to thank you for putting on—

**The Chair:** Mr O'Connor.

**Mr Jackson:** Mr O'Connor, sorry. I want to thank you for putting on the record that it was the ministry that suggested the manner in which these meetings were conducted. The other element that was reported in the media was that, once established that an arrangement had been made with the separate and public systems and shared with the trustees, the board then proceeded to spend some dollars

on an assessments-needs base—you know the wording I am looking for—an assessment of potential closure that post-dated the decision to consider the transfer, and that created a further controversy because public funds were being spent in the Lakehead to look at a potential closure when it would appear that the decision had already been made to effect a transfer.

**Mr McCuaig:** That is also not correct.

**Mr Jackson:** Thank you, Mr O'Connor.

**Mr McCuaig:** If I may put on the record also that at no time during any discussions was a school decision made to transfer. Our policies, as do policies across this province, require a board to study a school. That is by law. That is by the regulations. The Lakehead board identified which school was to be studied. The Lakehead board trustees knew which school was to be studied. To follow the legal process—and I have to say to you, it may have been a farce, but the fact of the matter is we followed the legal process of studying the school, which was a study, always was a study. The board had a right until the end to say no, it was not going to transfer that school; so it was not a predetermined decision; it was not a deal with the separate school or public school to turn over a particular high school, it was a deal with the ministry to transfer facilities, the decision of which facility was always the Lakehead board's.

**The Chair:** Mr O'Connor, would you like to continue?

**Mr O'Connor:** Maybe to sum that up then, it would seem that because there seemed an apparent lack of political will among the board to react and close schools, for obvious reasons, perhaps the new board should have embraced what the auditor had said as far as underutilization and perhaps stated that that was the past.

**Mr McCuaig:** I think, in fact, the new board has embraced it. It is now the third year into a term. I think the Bill 30 issues are off the table. That is some history we might change slightly if we were to do it again. However, we will be closing another high school within the next few months. Three high schools out of 10 in the city in a matter of a few years is a pretty good record. So this board has done that.

We have initiated a study of all the elementary schools in the system. One of the difficulties with school underutilization today is government change in policy; for example, the change in the 20:1 in grades 1, 2, and 3, and the day care issues. So I think we have to be a little careful that we do not just close schools and find ourselves in need of space. That has kind of changed things, but we are looking very clearly at all schools in the system. So I think the board has embraced that very well.

**Mr Charlton:** This whole discussion this morning has been quite interesting. I had a couple of calls over the course of the last week and a half, somewhat concerned about what was going to happen at these hearings, and I read through the audit and could not for the life of me figure out what the concern was, because I could not see anything exceptional or outstanding in the audit. You have obviously expressed in your presentation today concerns not about the fact of the audit and not about what the



auditor found, but about the public reaction you have had to that audit.

Obviously this is a reaction that is very specific to the political circumstances around your board that happened to be in place at the time that the audit was done and released. I guess, in other words, there was a fire there that was still smoldering and the provincial audit became a new piece of fuel on that fire. You have identified in your presentation the use of words like "adequate" versus other words that might mean somewhat different things to the public, and I think to some extent there may be some legitimate thought that we could pursue in that respect.

On the other hand, it may just be the existence of an exceptional audit, ie, "Why is the Provincial Auditor auditing our board all of a sudden? This has never happened before." Just in the context of the political side of what has happened in this case, what did you do and how have you approached trying to deal with the public demands around the performance they perceived out of the audit and the use of words like "adequate," and how have you tried to address this whole question of renewed public concern about the operation of the board?

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**Mrs Remus Joseph:** I am not sure, really, how to answer your question, and so my response may not be at all appropriate. But I think that a lot of the concerns, legitimate or not, have been articulated repetitively and so very, very strongly in the media that I sometimes wonder, when you take a look at the Lakehead board and all of the issues that we have to deal with, whether some things are kept in what at least I consider to be appropriate perspective.

There are many issues that we have, and certainly our financial accountability, etc, is something that we have to get better and better and better at for everybody's concern, but I guess I am concerned at repeated critical comments, just because of the extent of their exposure and the repetitiveness, and I—

**Mr Charlton:** I understand that. I understood, from everything I have heard this morning, that likely the perceived mood out there, both in terms of media and in terms of some public comment, is much more critical than the auditor's report reflects in any way, shape or form. I guess what I was trying to get at is, it seems to me, that as politicians—and that is what the trustees are, at least the trustee portion of the board operation—they would be desirous to try and put an end to, as quickly as possible, incorrect perceptions of what it is the Provincial Auditor said.

Just as an example, did you perhaps consider, when all of this erupted, having a public meeting, asking the Provincial Auditor if he would provide staff to answer public questions about the audit, and just attempting to end the whole controversy once and for all?

**Mrs Remus Joseph:** The short answer is no, we did not do that, although certainly the report was made public, as you know. But no, we did not have the auditor there at a meeting with the public.

**Mr Charlton:** It seems to me that is the kind of public exposure that could deal with questions like what "adequate" means to an auditor, and very quickly overturn

some of the—and we have all seen them in political life—very emotional and very exaggerated claims that get made. I think it is incumbent on the board that although you have said clearly, and I am not unhappy with that, that you found the audit useful, I do not think we can ever let the public political response to things like an audit determine how we should approach our auditing future. We have to deal with that public response when it happens, rather than to try and use it as a reason why we might not want to do this more than once a decade or whatever.

**Mr Allison:** I think your comments are valuable and I think that is why we said that, being one of the first in the process, it would be helpful to get open discussions on how future audits should proceed. I talked to staff the first week I was there. People on staff were, through this period of time—and it is not just the audit, but through this whole political period of time—actually embarrassed to admit that they were employees of the board, because there was such a negative feedback from it, which stunned me.

I guess my reaction to the audit has been: It was a solid audit, it really identified where we had to tighten up, and do not worry about the public. What we have to do as administrators is get on with the job and tighten up controls and really start to do things effectively, because one thing in the public sector versus the private sector is that there are a lot more controls in the public sector than in the private sector. We spend a lot more money protecting a dollar than they do in the private sector, and I think Mr Archer would agree with that.

My view is, we have got to start getting costs out of the system, not increasing costs. What we are doing is increasing costs as a result of this audit, and what I believe I have to get at is getting costs out of the system, and that is what the taxpayer really wants.

**The Chair:** There may be taxpayers who will disagree with your last statement.

**Mr Charlton:** I think, just as a last comment, that I do not disagree with what you have said in principle we have to accomplish. The risk you run in ignoring the public response, though, is that if the question of the accountability and the competence of the board in the public mind grows too great, eventually you reach a point where those trustees are under so much pressure that they start making bad decisions in order to get people off their backs. It perhaps has not happened in the Lakehead board yet, but I have seen a couple of other occasions in this province where it has. That is why we always have to be concerned about not only what the audit really said and how you best run the business of a board of education, but how you make the public understand what it is that is really going on.

**Mr Cousens:** One of the things that the director said in follow-up to one of the earlier questions was the unwritten policy of the separate school board on sharing of facilities, an unwritten policy that could mitigate against the whole possibility of there being more sharing of facilities, services and other things, and I know he said it specifically to do with school buildings. Is there any evidence of that? I find that a very, very serious allegation.



**Mr McCuaig:** First of all, and I think I said it, it is my belief that during the Bill 30 discussions, and I have not been involved with it lately, when we looked at having to provide space for separate schools before we turned over our first high school, we recommended sharing. Sharing was immediately turned down, and my understanding was that was the message across the province: that sharing was not suitable. I would have to say to you, sharing is very difficult. But I believe that to be pretty general. I said unwritten, and I think it is probably close to truth.

That is a belief. I do not have signed evidence.

**Mr Cousens:** No, it has a lot of credibility when it comes from the director of one of our boards of education. Mr Chairman, if there is any way in which we as a committee can come back to this when we are reviewing this issue, I certainly would hope we can come back to this as one of those things, because it comes through in so many of the things that Mr Bradley and other members were saying of the importance of sharing between the public and the separate systems. If in fact one system of education has such an unwritten policy that may be permeating the entire relationship, then we in this Legislature may well want to raise it as a question for action.

I wanted to specifically ask about your method of tendering. I do not want to get into transportation; someone else can have some fun with that one. But just as a point of interest, every public body to come before our committee within the post-secondary school system, and now with the public boards and separate boards, has examples where it did not have a clear-cut, followed tendering process. If there is anything that I think is wrong in the province of Ontario it is the failure of public bodies to have an open and accessible system to get business with public money.

What I see in your situation is one of those things that is not adequate. So I have four questions which I would like to ask you, and the first is, if you can outline steps that have been taken to ensure compliance with purchasing policies and procedures by your board.

**Mr Allison:** That is an area of concern for me as well. Can I look through my file?

**Mr Cousens:** I have four questions; I may as well put them all on and you can work on it. Could the board elaborate on the procedures adopted to ensure the proper documentation of quotes; could you elaborate on the improvements? The amount of detail required to the tender logbook: what level of detail is required to ensure that the problems as noted are not replicated? Finally, does the logbook now contain sufficient information to demonstrate proper tendering and that contracts are being monitored properly once awarded?

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**Mr Allison:** As far as the steps that we have taken in the area, one, we were significantly understaffed, and we have added a buyer to the system to ensure that procedures will be followed. What we have set up are a documentation system and control procedures to, I guess, ensure compliance with the facility. On tendering, basically, we set a \$25,000 limit. If it is over \$25,000 we tender it. One of the problems we have is that being in Thunder Bay we

do not have a huge supply base, and that is something we would really like to develop more of. So we go through Fraser's, we go through known providers of those services and ensure that they are called to tender. If there is an exception, and the exception would be that we are replacing an original piece of equipment with an original piece of equipment—let's say it is a major repair—then those have to come to me to be pre-authorized, all the rationale has to come to me to be pre-authorized, and we would not tender that.

What we also do is, all the tenders that go out, we have a tender log now that has all the appropriate headings, who was asked to tender, who actually did tender, and then a summary is made up of all the results of the tendering including all the prices and who the recommended successful bidder is. That is signed off first by the requester of the service, second by the purchasing agent, third by the purchasing manager, then fourth by me. If there are any exceptions then I deal with that. Often we will have an exception when somebody does not tender all the items. So we have to deal with those issues. I believe in most cases where we failed in the past was not centralizing the documentation. We had some documentation here or there and then it would disappear into the files. And what the tender log and the tender process has done is, it has taken all the information and placed it in one area on a tender and we can now deal with it. And it is really useful for us when we tender again the next year that we find out who tendered last time to make sure that we do have a good tender list.

On that area, one thing we are seriously looking at is the relevancy of our limits. Getting three quotes on \$1,000 may not be relevant. That was established in 1977. Today just with inflation that would be up around \$2,500, and I believe the auditor has recommended that. One thing we are trying to do is to actually tender more, and what we are looking at is contract buying: determining what our annual requirements would be and putting out bigger tenders and more tenders, so we think we can attract more suppliers to the area. A good example would be that we do not get competitive banking from offshore banks because it is a \$600 trip to Thunder Bay from Toronto for the salesman. So one of our problems is trying to build up a supplier base. One of the things we are going to do is go into more contract buying and more tendering so they are more attractive pieces of business to attract more suppliers. That is one of the plans we have in place.

On the purchasing system: if there is any item, say, between a \$500 and \$1,000 level on which we did not receive three quotes, it has to come to me for pre-authorization and approval, and if I am not around I still have to sign off after the fact. I have one here. It was just in my briefcase. A good example would be that we had all the electrical wiring on our school go. I had to pre-authorize the purchase of all the wiring and the equipment or we would end up closing the school, so we did not go out for competitive quotes of pricing. Our biggest concern was availability.

So there are items that will not follow the process properly, but they have to be justified: emergency cases,



single suppliers, if we request a specific textbook. One of the issues is how we buy, and what we have to do is start challenging why we want to buy that specific piece of equipment that is requested by the user, and to open up the tender process. So I agree it is a valid concern, and we have had one case where recently only one supplier was identified. It came back, we challenged it, opened it up, and we found out there were two suppliers. We got a competitive tender and we think we have cut our costs by about \$8,000 on a \$200,000 project. So we think the tendering process is a valid process. What we could do is develop the system so that we can use it more.

**Ms Haeck:** I am very interested in the comments that you made to Mr Bradley's original question around sharing and co-operation. Could you please expand for me the sharing relationship and co-operation you have with the Christian schools in your area?

**Mr McCuaig:** We have one large Christian school in the area, and our practice is, and this has been informal in the past and it has been formalized in the last few months, that we will provide service to them at no cost to us. It is a problem with transportation because they have one school and we have the whole school division. We have allowed their students to get on our buses informally. That creates some liability in other issues, but we have done that with that. Formal sharing of busing is much more difficult. An example that just passed our council on Monday is that we buy licensing rights to videotapes. So we let them become one of our users at the same cost as to our schools. We have a very good instructional media centre. We will be allowing their teachers to use our media centre at the same cost we charge our schools. All of our curricular materials that we make available to everyone else we make available to them at the same cost. So that is the kind of things we are attempting to do with the Christian schools.

**Ms Haeck:** I appreciate your remarks, because I know there are some other areas where there is some interest being expressed in collaboration.

**Mr Allison:** Also, in the area of purchasing, being the one school, they have a tough time in having a formal purchasing department. So we are, where we have common materials, now purchasing including their requirements in ours, and in some cases warehousing and then distributing to them. We have a 10% surcharge for the cost of handling, but that seems to help them get through their system.

**Ms Haeck:** That is great. How about buying of, say, library materials? Do you get involved in bulk buying? Obviously you get a better purchase price on books for libraries or curriculum if you buy in quantity. Do you share that around the various boards as well as using the Christian school?

**Mr Allison:** We were just starting with the Christian board, but a concept that I am promoting right now is to try and establish a central warehouse for all the boards west of us. It would be a good deal for us to buy in bulk, warehouse and then break the shipment and ship out to them in a smaller unit. We hope to be meeting with other

board officials to start promoting this. Hopefully it is going to generate some savings.

**Mr McCuaig:** Anything can work under our system, but we have done it with computers for smaller boards and large products. Our belief is, as the largest board in the north it is part of our responsibility to provide service, whether that is in-service training—and some of our professional staff go out and do workshops. For our major professional activity day in the fall we invite all the boards in. And so it is just a belief we have that we will share anything, recognizing it cannot be a major financial burden on our own taxpayers.

**Ms Haeck:** Exactly.

**Mr Allison:** We also share a superintendent.

**Mr McCuaig:** I think a concept we introduced, and an example of the co-operation we have with other agencies that we work very hard at and is mutually beneficial, is that we have a lot of qualified staff that will not make promotions internally for many years, people on the way up. We are presently sharing some of our staff to provide supervisory officer services to smaller boards. The win for them is they get a very, very competent supervisory officer. The win for us is we get someone who is better trained for the future. So that is a concept we work under.

**Ms Haeck:** Sounds most interesting. I do have one additional question which I asked the York board yesterday as well, relating to whether or not it had a planning department, partly to deal with school utilization. I am wondering to what degree you have such a department or maybe all of one person. Do you have such a department in place?

**Mr McCuaig:** Yes, and I say that cautiously. We do; it is not as effective as it needs to be. We have had planners in place. We use it for a lot of the baseline data in school closure, but in fact we are in an era where we need more engineering-architectural support than we have at this time. We are looking at it. So we do have planning but we do not have the backup to it at the moment.

**Ms Haeck:** Okay, so this person is receiving statistics about the demographics in the area and helps you deal with your current situations or possibly extrapolating into future situations, but you do not have the engineering staff to deal with some of the statistics at this time.

**Mr McCuaig:** For example, we can look at a school and say school X or school Y can be closed and we can look at demographics and we can look at general facilities, but we do not have the experience to look at what the architectural soundness or engineering soundness is of this building versus this building, that type of thing.

**Ms Haeck:** So within your maintenance department you do not have someone with those kinds of credentials, or could you in your collaborative arrangements, say, with the city, make use of someone from within their department?

**Mr McCuaig:** With some property deals that are going on now they have been co-operative in using their planning and engineering department to provide us data. It is a little embarrassing when they provide better data on our property than we have, but it is a reality.

**Mr Allison:** I think one of the big issues is that for us to put a school in place is at least a minimum three-year process. When we talk about planning I think planning has been in terms of three- and four-year horizons, and really we are going to have to go up into the five-, six-, seven-year horizons on demographics. I think that is where you get nervous, because you start making some decisions that are on a shifting population and then you have legislative changes, like on grades 1 and 2, which may hurt you.

**The Chair:** We were going to have you this afternoon, but it would appear that questions of the committee

members have all been asked and so we wish you a safe trip back to Thunder Bay. We appreciate your coming that distance to share the information with us.

Committee, we stand adjourned, but before we do that I would like to advise you that your agenda shows us in room 1 tomorrow. We are actually going to be in room 230 all day, so maybe you would make that note. Having said that, we stand adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 1154.



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Thursday 28 February 1991

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Le jeudi 28 février 1991

## Standing committee on public accounts

Annual Report,  
Office of the  
Provincial Auditor, 1990

## Comité permanent des comptes publics

Rapport annuel de 1990  
Bureau du vérificateur provincial

Chair: Robert V. Callahan  
Clerk: Tannis Manikel

Président : Robert V. Callahan  
Greffier : Tannis Manikel

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 28 February 1991

The committee met at 1008 in committee room 1.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1990

Resuming consideration of the 1990 annual report of the Provincial Auditor.

**The Chair:** The committee in its total fullness will come to order.

LAKEHEAD BOARD OF EDUCATION

**The Chair:** Evelyn Dodds, are you here, Evelyn?

**Mrs Dodds:** Yes.

**The Chair:** Perhaps you would like to come forward and identify yourself for purposes of Hansard. I do not see a brief before us, so I presume you are going to wing it?

**Mrs Dodds:** Yes, I have something with me. My name is Evelyn Dodds and I am a trustee on the Lakehead Board of Education and until December I was the chairman of the board. I have also been, I guess, one of the rather outspoken advocates of reform in Ontario's educational system, both from the viewpoint of standards, which I believe are appallingly low, and from the viewpoint of costs, which are incredibly high.

I have brought to you the response of six trustees of the Lakehead board to the provincial audit. I was extremely concerned that you would hear only the official sanitized response—the official response of the board to the audit—from those who were not terribly pleased that the audit was conducted in the first place. I understand that you heard from those individuals yesterday. There were some of us on the board who not only were delighted that this audit was conducted for the first time but indeed had been actively striving to accomplish just that for many, many years, and we were very pleased that it came about. It is one part of the scrutiny that now needs to be brought to bear upon the school boards of this province.

I believe firmly that spending is out of control in the educational system of this province and that we must take many steps simultaneously to bring it under control and to get better return for the taxpayer. I have brought you two documents. One is the response of the six trustees to the audit, which is a very brief document, and the other is the brief which I presented to the select committee on education financing on 26 September 1989. I have not passed these out yet; I will whenever you ask me to.

**The Chair:** I did not realize you had one. If you could give it to the clerk, he will pass it out.

**Mrs Dodds:** I hope I brought enough. I am left to my own devices on these things.

**The Chair:** Maybe while he is doing that you would like to help yourself to a coffee and then we will continue.

**Mrs Dodds:** Because the response to the audit is not just an isolated opinion but falls within the context of a

broader sequence of events, I would like to just briefly list for you the recommendations I made to the select committee on education funding in September 1989. Those recommendations included the fact that there should be provincial audits on a regular random basis performed on all boards in the province. But that is only part of the solution that needs to be accomplished at this time. I would like to just briefly list the others.

The first recommendation I made was that there must be clarification within the legislation of the roles, duties and powers of trustees and of the supervisory officers of boards. There are numerous ambiguities in the legislation. There are entire sections that are not referred to at all. The consequence of this is that when trustees try to act on behalf of the public, when they try to exercise the will of the public and to influence the system, they are frequently stopped dead in their tracks by assertions of supervisory officers that they are not acting within the legislation. Lawyers get called in and there are all sorts of opinions bandied about back and forth, and because trustees usually have other jobs they become overwhelmed with this kind of objection and they usually either retreat or they decide it is easier to join the group.

Those who go in with a very clear idea of what it is they need to do to represent the public will are too frequently totally disarmed within the first few months of being on a board, simply because the duties and powers of trustees are not well delineated, not well described, and there is virtually no one for a trustee to turn to for assistance. The director of education in our board, for instance, can call on lawyers at any time. We have to call 15 trustees together, debate it in his presence—and usually he participates rather vigorously in these discussions—and then have a vote before we can hire a lawyer to get advice that would help us.

If we turn to the ministry, we find that ministry officials are nothing more or less than supervisory officers who have been promoted upward through the ranks. And while there may be nothing in writing that gives ties between these individuals, the plain human reality is that there is a power network that extends through the ministry to the supervisory level of boards that trustees cannot break; they are outsiders.

The second recommendation was that access to information should be assured. I have personally experienced many frustrating efforts over the past five years of being a trustee, and even before that as a member of the public, in that information that I felt it was my perfect right to have as a taxpayer—never mind as a trustee—was denied to me. There were all kinds of roadblocks put in my way and all sorts of legal threats flying around to the point that, at the beginning of my term as chairman this past session, I had



people routinely following me around and writing down every single word I said; and threats of lawsuits abound.

**The Chair:** They never do that to us. Nobody really wants to know what we have to say, I guess.

**Mrs Dodds:** It can be intimidating when you are essentially alone, when you have no staff of your own, when you have no party structure to fall back upon and when you do not even have a structure within a board. You are 15 individuals who have run individually, and you may have some sort of bond through principle that keeps you tied, but you have no structure. You frequently do not even have a way of communicating privately with each other.

Just this week, for instance, I wrote some memos to the present chairman of the board and I put them on the desk of the secretary, who is supposed to be the trustees' secretary. I happened to stay in the board building a little later and no one knew I was still in the building doing some work in the lounge. When I went back into the office to get something, there was the director of education standing at the secretary's desk reading all of these memos I had left on the secretary's desk. So we are not even able to communicate privately with each other. We have no staff of our own. Our staff is the director's staff. We have other jobs because we are not paid enough to be trustees full time, so it is very difficult to find the hours to get on the phone and communicate with 15 people to get your lobbying efforts up to date.

We were even stopped legally when we tried to meet as a caucus without our director of education. When I first became the chairman, I tried to call a caucus meeting of trustees so that we could consolidate the various factions within the board, so that we could get our plan of action together and decide how we were going to operate as a board, and the director challenged us legally. He sought an opinion—he does not have to pay for it personally, so he can do it—from a big Toronto firm that stated that trustees did not have the right to meet without the director, ever, because one of his titles is secretary of the board and therefore he must always be present when we meet. So when you run into roadblocks like that, it is exceedingly difficult to carry out the will of the public.

There were five recommendations I made at that time that had to do with the kinds of information that should be mandated to be presented to trustees regularly. A board now is such a huge, complex organization that you cannot think of all the things you need to know. Sometimes you are on the board three or four years before you even realize that there are certain kinds of information you are not getting. The five that I identified, and this is by no means a complete list, were the five at that time that I felt were the most important:

The annual total staff complement reports: I do not know if this surprises you or not, but there are many trustees who are not terribly sure how many people are on staff; they do not know what the trends have been. I surprised our director of education one year, who insisted that the number of secretaries at the administrative level had decreased, and by accessing provincial data I was able to prove he was wrong. Even he did not know that the num-

ber of secretaries at the administrative level had increased substantially in spite of marked enrolment decreases.

Teacher absence from classroom reports: The service we pay for is the teaching of the children and the deliverer of that service is the teacher. Therefore, the prime economic factor of consideration is the teacher's presence in that classroom. Teachers are absent for many reasons, most of which are not documented. Sickness is only one.

Losses from damage and theft: I will go into that one in more detail. I think that when we spend many hundreds of millions of dollars on equipment and on materials, we really should know how much of it we are managing to keep from year to year.

Professional development and expense account reports: This is the kind of report that should be presented in full detail, regularly, by law, to all trustees. It is the area of the highest abuse. I do not believe that anyone who is paid as a civil servant in this province should ever be entertaining other civil servants at public expense. Why should our director of education take someone from the ministry out to lunch at the most expensive restaurant in Thunder Bay and expect me to pay for it? They are obviously not working on my behalf, they are working on their own behalf, yet they have expense accounts. They do use professional development funds in some rather obscene ways, and I think it is time the public had a full accounting of that.

Of course, one which we could probably spend a whole session on and which I hope you are fully aware of, is the retirement gratuity debt, which is a largely unfunded liability carried by most of the boards in this province. Only a few boards have managed to get it out of their contracts. Only a few boards have begun to properly fund it. At our board the unfunded liability at the moment stands at approximately \$23 million. Our total budget is somewhere over \$100 million, so you can see the size of the debt. That debt is going to get bigger. It does not even peak until around the year 2000. To my mind, this is a horrible tragedy in Ontario, that we have allowed these enormous debts to pile up and have paid no attention to them whatsoever. We are leaving a legacy of debt and a burden of taxation to our children that we should not be leaving, so there must be government leadership in controlling this and in beginning to fund it.

Then came the three recommendations that have to do with audits.

**Mr Cousens:** Were these on your report?

1020

**Mrs Dodds:** Yes, these are all through. This is the report I presented in 1989 and I just summarized the first seven recommendations, and now I want to get to the one on audits, because that is the reason we came today.

Audits, of their own accord, do not solve problems, but they do tend to inhibit abuses and they do tend to give valuable information to decision-makers for correcting problems and for controlling costs. I had three recommendations for improving the way in which audits are done. The first one was that the terms of reference of the annual financial statement audit should be expanded, the second was that boards should be required to establish audit committees,



and the third was that there should be regular, random provincial audits of school boards for value for money.

Someone said to me the other day that this was just too much auditing; that we were going to spend all of our time auditing. I do not see it that way at all. These are not functions that duplicate or interfere with each other; these are functions that, if co-ordinated well, would complement each other and would make the rest of the work much easier.

I function on the rather naïve, I guess, assumption that a school system, funded with tax dollars, is nothing more than society's co-operative purchase of a common service. That is all it is. We, the people, decide that we do not wish to allow individual parents to be left to their own devices to provide for their children's education. We decide that it is to our common good that we should put our money into a pot from which all children can be educated, so it is the purchase of a service; we buy something. Just as any buyer of a product or a service is always in total control of what he buys and how much he pays for it so we, the public, are supposed to be totally in control of what we purchase as an educational service and how much we pay. We are supposed to be, but we are not. Instead we have created a bureaucratic empire that dictates to us what we will have, what we cannot have, and that then tells us how much we must pay, whether we like it or not. This situation must be broken. We can no longer even influence what our children are taught, how well they are taught and how much we pay our employees.

As a trustee, I remind myself on a daily basis that I represent the people who buy the service and that therefore no one who works within the board can tell me I must pay for something if I do not want to. The problem with trying to exercise that authority is that we really do not have the kind of feedback from the system that tells us how money is being spent, which is why we must have audits.

The financial statement audit, which is now conducted under legislation, is simply a balance sheet audit. I can only explain my understanding of it in layman's terms. All that audit now tells you is that the number of dollars administrators tell you they have spent have been spent. It does not tell you what they were spent on; it does not tell you whether they were well spent; it does not even tell you if those dollars were spent in accordance with the budget that you established as a trustee. It simply tells you, yes, they said they spent so many millions and that is correct; they said they raised so much money through taxation and that has been verified and there are receipts for the things they spent, but it does not tell you what those receipts are or if the nature of the expenditure is in accordance with the direction that was given by the board. That kind of financial audit is very inadequate.

At the very least, the annual audit conducted by the firms that we employ must be expanded, under law, to include a judgement as to how the money was spent relative to the way it was approved to be spent. If I said I was willing, as a trustee, to spend \$25,000 to buy equipment for the special education department, it should not have been spent to send 15 teachers to France to study a special ed course. If I said it should be equipment, that is what it

should be. If I was told there was going to be a certain amount of money spent to train our secretaries in the use of WordPerfect, I do not want to find out later that that money was transferred to something else. Actually, right now I would have no way of finding out. They could do just that and I would not know. But the annual financial statement audit should reference back to the budget documents and it should say, "Here's what you approved as an elected person and here's what they did."

Audit committees can be another piece of the puzzle to assist trustees. Very few trustees have a financial background. You show them a balance sheet and they are completely lost; you talk about operating versus capital expenditures and they do not know what you are talking about. Yet they can make rational decisions on behalf of the public if things are translated and interpreted for them in layman's terms. An audit committee, as I have put it in place at the Lakehead board—and I believe it is the first of its kind in Ontario in a school board—consists of three qualified external people who act as advisers to trustees. There are also three trustees on the board. After I go through the response to the provincial audit, if you want to know more about our audit committee after a year and a half's operation I would be very pleased to share with you more information on that. There are some glitches that we have discovered already that occur, one of them being that at every audit committee meeting the audit committee members are vastly outnumbered by administration and it is very difficult to tell who has the right to vote and who does not sometimes. You probably run into the same thing here a lot of the time; I do not know.

**Mr Cousens:** No, we all wear blue suits and white shirts.

**Mrs Dodds:** That is how you tell the voters, the blue suits? I must go home and change.

**The Chair:** He is speaking for himself, of course.

**Mrs Dodds:** There is also, I think, a need for internal auditors, and I have been giving this one a lot of thought. We did finally get a half-time position of internal auditor. He reports to the director of education. I have no idea what he is doing, and that has just not been satisfactory, from my point of view. This is not written anywhere, but an idea I had was that if all of these controlling and monitoring functions were to be tied together, it seems to me that the position of school board internal auditor should be an extension of the Provincial Auditor's office. These are people who should have their duties clearly spelled out and be accountable to the Office of the Provincial Auditor: work within the boards but work in a co-ordinated fashion across the province. They have to be accountable to someone, and if they are accountable to the administration within the board, the entire purpose is defeated. But that is one idea that maybe we can toss around on how to tie this together in a civilized way.

The six trustees who presented the response to you, which is the smaller document I presented to you—and I will get to that, because I do not know what your timing is like today and I am perfectly willing to answer questions on any of the matters I have just briefly touched on, but the



main reason we are here today is the response to the provincial audit.

**Mr Cousens:** Did you give us your documents?

**Mrs Dodds:** Yes.

**Mr Cousens:** I have only been given one.

**Mrs Dodds:** I did not realize there were going to be so many of you. If someone could make additional copies later of the ones I was short—I apologize. There is this one here.

**The Chair:** The other documents are being Xeroxed for those. I am not withholding it from you.

**Mrs Dodds:** It is just that I have to photocopy these things myself and I did not realize there would be so many of you.

The six trustees are the ones who have been trying to reform the system, and we are a minority on the board, obviously: six out of 15. Generally we felt that while it was an historic breakthrough that such an audit was conducted, we were in a way disappointed that the Provincial Auditor had not as much power as we thought he would have. We had hoped that the mandate of the Provincial Auditor would be to make value judgements, to explore very deeply how things are done at the board and strictly from the viewpoint of the taxpayers. I cannot stress this enough. We have no one else to turn to. There is virtually no one else who acts as the public watchdog. We must have someone who is outside of the system who is determined to act on behalf of the taxpayer and who has the full power and authority to look at anything and to make value judgements on what is seen and to make extensive recommendations for changes that need to be made. In other words, we need someone who has the authority and the power to be far more critical than we thought this audit was.

1030

We recognize the limitations. We also recognize that the auditors who came to Thunder Bay went out of their way to be very courteous and gracious and to accommodate the staff and not upset anyone. I can see why that was necessary—I expect the police in Ontario to be polite to the people they arrest, for heaven's sake. So I was pleased they took this point of view, but I did get the feeling, as did my colleagues, that perhaps their powers were not extensive enough; that they had to stop short. However, what is here is excellent. It is a good beginning and hopefully from this will come a determined effort by this government to increase the scope of the Provincial Auditor's powers.

We believe, number one, that the ministry should have a follow-up audit. It does no good whatsoever to say that these things were wrong or needed improvement and then no one ever goes back in and checks. We have no way of checking. I do not have the skills to go in and audit a follow-up. I can ask administration what it is doing, but I will give you some examples as we go through that many times I have been told it is doing things that turned out not to be so at all. So we need someone who will come in a year later and say: "All right, last year we were here and we told you these things needed fixing. Have you done them?"

We believe that supervisory officers on school boards should be monitored by an ethics committee. The thing that struck us as we went through this was that there is virtually no consequence to anyone who works for a school board for non-compliance. The only way that I as an elected trustee can exercise the will of the public is through the passing of policies. The policy is the only instrument of authority I have, and it is a law within the board, just as the legislation that you pass at the provincial level is a law within the province. Now surely to goodness there must be a consequence for not following a policy, and there does not seem to be any.

As an example, and this one comes up through several of the other recommendations as well, several months before the Provincial Auditor came to the Lakehead board I raised at the audit committee the suggestion that we should hire a firm to come in and do a comprehensive audit of our purchasing policy. I had heard many, many complaints from members of the public, from small-business people, that our purchasing department was behaving in a sometimes less than fair and in an arbitrary fashion. I will not go any further with the kinds of accusations I heard because I am unable to document them. Most people were also very much afraid of having their names brought forward because they felt that if they made their complaints publicly known they would stop getting contracts from the board, and you must appreciate that in a city the size of ours the board wields a mighty economic influence. There are many businesses in Thunder Bay that would be devastated if they stopped getting board contracts, so it is difficult to get these people to speak up.

I raised it at the audit committee. The director launched a huge objection to my suggestion. He persuaded the audit committee that rather than simply passing this motion, which would then have gone to the board for ratification, we should inform ourselves better, and he arranged for the purchasing department to come and make a presentation to the audit committee. The head of our administrative services is our director's brother, Tom McCuaig, so I will try to differentiate between the two Mr McCuaigs so you know which one I am talking about at any given time.

Tom McCuaig came to the audit committee and gave us a two-hour-long presentation on how purchasing is accomplished at the board, and it was a wonderful presentation. He cited the policy; he held up documents that showed us how tenders had been called and how lists were kept and how things were filed. It was most impressive, and the assumption all through it and the understanding that was derived by the audit committee all through this presentation was, "We follow the policy." We were told clearly by the director of education, Jim McCuaig, that if we had complaints about how purchasing was accomplished, the only thing we could do as trustees was change the policy; that we could not challenge the behaviour of individual staff members; that we could not question how procedures were carried out at the board; that our only role as trustees was to change the policy and it was up to him to carry out the policy. So away we went.

I was going to continue to insist that we have an external examination of our purchasing department when we



received news that the Provincial Auditor's team was going to come, which was greeted with great laughter and cheers by some of us. And so we said, "Well, we can back off now on this," because obviously the purchasing is one thing the Provincial Auditor will look at, which he did. You will note in the auditor's report that he has established beyond a shadow of a doubt that the purchasing policy was not being followed by our staff a substantial amount of the time, in a substantial number of cases. As a follow-up to that and as probably the best illustration I can give you of just how far gone the thinking of some of these people is, our administration, our then acting superintendent of business, after the Provincial Auditor's report came out, wrote us a memo that was called Initiatives Resulting from the Provincial Audit. One of the statements he made was that they were going to come to the board and ask for the purchasing policy to be changed, but in the interim what would solve it all, you see, was that when exemptions from the policy were required the director of education's approval would be needed. The director of education was going to approve exemptions to the policy.

But the policy is our law. We represent the public. Our policy says, "Thou shalt do things this way." The director of education is not an elected person. Why did they think they had the power to overrule an elected body's policy? Yet their thinking is so far gone, their respect for the elected body is so gone, that they actually believed that this was okay; that everything was going to be all right as long as the director of education approved the exemptions. I fired back a memo saying, "Please quote me the section of the legislation that gives the director the authority to overrule the board." And I never, of course, got a response. But that to my mind is just the clearest example of just how backwards the thinking on school boards has become.

What consequence is there for people who do not follow the policy of a board? We think there should be an ethics committee; that people who hold supervisory officer certificates should be brought before ethics committees when they violate policies or when they behave in other unethical manners. There should be some provision that could cause them to lose their certificates if they violate the direction of an elected board. Is that not their job? Is that not why they are there, to do what we say? Are we, the purchasers of the service, not in charge, and are they not the employees who are supposed to carry out our bidding? I thought, as a rather naïve taxpayer, that that was the way it was supposed to be. So that is a recommendation, of course, that was greeted with not a lot of welcome in administrative circles, but it is one that I feel very strongly needs to be addressed. We think there should be a regular way and we put in here that the ministry should institute a program of random inspection audits of boards for the purpose of determining degree of compliance with budget decisions as expressed in the documents used by trustees.

There could be a number of ways in which that could be accomplished. That could be the Provincial Auditor on a random basis; that could be internal auditors accountable to the Provincial Auditor who rotate their inspections within the boards and report back on an annual basis to the Provincial Auditor. It could be external people brought in,

such as auditing firms, accounting firms. There are several ways in which that could be accomplished but I think that is a key. We must know when we make a budget decision that the intention of it is complied with, not just that the number of dollars we approve actually get spent. That is not enough. The position of internal auditor I have referred to. Again, there are several ways in which that could be accomplished but there should be someone who does not feel part of administration; who does not feel that he has to cover up or he has to look the other way.

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Capital projects have to be redefined. As I understand it, and I am sure that Mr Peall and Mr Archer will correct me if I am wrong, the provincial audit necessarily defined "capital projects" as those that receive capital funding from the ministry. However, there are many things that are done within a board that really should be called capital projects but that may not receive funding, and I think they should be separated out. For instance, the director's office budget this year in total shows an increase of only 5%, but the operating portion of it is really a 14% increase. He has added to his staff in his office once again, and the reason that the total appears to only be a 5% increase is that last year he bought a whole pile of equipment that this year he is not buying. These things should be separated out.

There should be a lot done in the area of capital projects. I am a little tired of going into budget in February and March and finding out that a lot of the items I am asked to vote on have already been done. There was one year that I found out about one only by accident. We were asked to sit there and go through the motion of approving \$30,000 to renovate the cafeteria at a high school. By coincidence it happened to be my daughter's high school and I knew that that cafeteria construction had been completed two months before. We had not even approved it. What if we had said no? And then the administrators say to us, "Oh, you had no choice." Well, if we have no choice, then what are we doing sitting here? If I have no choice, then I guess we might as well just sign a blank cheque and go home.

The example I used at our budget meeting last week was that my dishwasher broke down two years ago. I did not replace it. If that were the school board, they would say: "It broke. You have to replace it." No, in the real world you only spend what you have. If you do not have the money for it, you do without.

**The Chair:** Mrs Dodds, I do not mean to interrupt, but I am advised by the clerk that we only have this morning. This afternoon the room we are in is not serviced by Hansard. So I think there are probably people here who would like to ask you questions, and your brief was fairly extensive.

**Mrs Dodds:** Yes, I would not expect you to read that.

**The Chair:** I wonder if perhaps, with the concurrence of committee, we could do that.

**Mrs Dodds:** Okay. Could I just refer to one more that I think is important?

**The Chair:** Sure.



**Mrs Dodds:** We are not allowed under the existing legislation to change our external auditor. Most trustees never lay eyes on their annual external auditor. They have no idea who he is. They never talk to him. We never get to talk to him privately. In fact, even at our audit committee, when we tried to have the audit committee privately with the external auditor, our director of education kicked up an awful fuss because he insisted that he should not be excluded from any meeting. I think that as boards we should have the right to call for proposals on a competitive basis from various accounting firms and to change our auditing firms if we wish. Right now, we are prohibited by law from doing that, and the plain reality of human nature is that once these people come year after year after year and they know they cannot ever be fired, they become part of your administration.

Thank you. I would be very pleased to take questions, obviously. I could talk for three days.

**The Chair:** Just before the questions are asked, was this brief that you presented to us circulated to the director of education? The one dated 26 September 1989.

**Mrs Dodds:** Yes, that was presented to the select committee. That was circulated to the board. There have been about 300 copies distributed across the province.

**The Chair:** So your board of trustees has seen this, as well as the director of education.

**Mrs Dodds:** Oh, yes. They do not approve of it.

**The Chair:** I can understand that they might not, but I just wanted to know if they had seen it.

**Mr Miclash:** Mrs Dodds, I would like to welcome you to Toronto. We shared the same flight actually last evening, believe it or not. A student, I guess from Lakehead board, got on the flight and suggested that you were on it as well. I did not know you until this morning.

**The Chair:** Is this the one the engine went on?

**Mr Miclash:** No, no, this is the one after the engine. I had a scary experience on the way back, actually, but we will leave that. Anyway, you started off by saying that our standards are extremely low in terms of education and I wonder if you could maybe expand on that. Are you talking about the quality of education?

**Mrs Dodds:** Our students are not learning nearly as much as they could or should. One of the reasons is that the current faddish psychology of education has completely ignored the fact that learning often takes place through sheer hard work. The current philosophy now says that you sort of learn accidentally while you are doing other pleasant things. You therefore surround the children with choices of activities and when the children are so inclined they will stumble across some activity that accidentally contains the knowledge they need to learn.

Most learning is accomplished through hard work and we are not making our children work hard enough. We are not instilling in them a self-discipline and a concern for accuracy and for retention of memory. They are learning virtually no history, which is an exceedingly dangerous situation in a democratic country. Far too many of our people who are being graduated through pass out of grade

8 with a report card that says they are fine, and they are functionally illiterate. Furthermore, they do not even care that they are. They somehow think it does not matter that they are inaccurate in the language.

Our graduates do not have enough command of mathematics. One of the reasons for that is not only the lack of drill and repetition and practice at the elementary level, but another factor is that at the high school level we are now into semestering, so they can take math for three months here and only a little portion of a math curriculum and then they do not do math again for another 13 months and then they may do another little bit. That is not the way in which one becomes competent in mathematics or in science. One becomes competent through daily practice and study and repetition and doing things again and again and pressing the brain to learn more.

We have treated our high school system now as a smorgasbord, that if we only make it pleasant enough we will prevent children from hanging around on street corners and indulging in drugs, and that is absolute nonsense. Most of our students who are dropping out of school are doing so because they know there is absolutely no worth to staying there.

The interesting thing is that in spite of our now being an embarrassingly mediocre nation in terms of knowledge and skill, we spend the second highest amount per capita on elementary and secondary education in Ontario. There are many, many reasons that the costs have gone up with no attendant increase in knowledge, and one of them is that the decentralization of the control of education has caused the proliferation of numerous committees. For instance, curriculum is independently derived on every single one of the boards. The ministry no longer says, "This is what an Ontario student should learn." Instead, the ministry guidelines refer to sort of esoteric psychological attributes which are then supposed to be the goal, though how on earth can you tell if someone has become creative or a thinker? My goodness, it defies logic.

The second reason, though, is that the methodologies that are now being promoted by professional educators only work if you have one student and one teacher. Group teaching methods are no longer considered pedagogically sound and yet we cannot afford to provide a teacher for every student and therefore the amount of attention that each child receives has gone down. But if you examine all of these new approaches—the whole language, the activities-based learning, the play techniques that are being touted for the primary grades—they only work if you have at the very most three or four students per teacher.

This is a very self-serving pedagogy for teachers to espouse, is it not? Because if you say that the only way a child can learn is through these techniques, then you turn around and say: "Well, there aren't enough of us. We have to have more teachers because we cannot teach unless we have smaller classes." The pressure is on to reduce class size. I ask you to remember that our generation was rather well educated and became rocket scientists and everything else and we came from classes that had 45 and 50 kids in them. My husband, who accompanied me today, came from a one-room school that had as many as 50 in it and



managed to become a scientist, so if you apply logic to the theories that you hear touted by educators today you will see that they quickly fall apart.

**Mr Miclash:** The other thing I would like to ask about is the audit committee that was established at Lakehead board. I believe you were chair at the time.

**Mrs Dodds:** That is right.

**Mr Miclash:** Could you expand on how and when it was established?

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**Mrs Dodds:** I took the book that was produced by Clarkson Gordon on audit committees and I took the ideas from it and adapted them to the school board situation. The problem as I saw it was that most trustees do not understand financial documents, that they needed assistance to understand what was put in front of them and they needed someone to ask probing questions on their behalf. We therefore found three people from the community who were either bankers or accountants or auditors who were not connected to the board to sit on this committee, and we appointed three trustees to sit on it as well. We expanded the mandate from that usually held by the audit committee function—there are many boards that say they have an audit committee but they do not—from one of simply reviewing the annual financial statement and passing it on to actually probing the management systems, to questioning how figures were derived and what controls were in place; following up, for instance, the suggestions of the external auditor in the management letter that he produces.

It works fairly well and it is a big assistance because a smaller expert group like that can make more headway in examining the system than can a group of 15 laymen who may or may not be interested. So that is an advantage. The disadvantage is that the motivation from the committee at the moment is lacking; that when people first come on to the committee they are not sure what they are supposed to do so they look outside for direction and, of course, the prime players in that committee room, as everywhere else at the board, are administrators. In fact, the orientation of the new audit committee members was conducted by administration. Administrators will take them out for lunch and talk to them. I cannot afford to do that. I do not have time, either, but they do.

There needs to be a clear duty associated with being an external member on an audit committee: "It is your duty to question, to do this, this, this." There has to be a provincial link so that people who sit on the audit committee of a Windsor board could talk to the people who sit on the audit committee at the Lakehead board and compare notes. They should see themselves, and be constantly reminded through some vehicle, as outsiders. They must never come to see themselves as part of the system. They must be reminded constantly that they are part of the public; that they are the purchasers of the service and they are examining the service they are buying. It is very difficult in an isolated circumstance to maintain that stance. You find you get just so tired of saying: "Now, wait a minute here. We are the public, Mr Superintendent or Mr Director. You be quiet for a minute. We want to talk to each other about

what we want to get from you," because you are constantly interrupted.

There is a lot of work needed before the audit committees could become a really important part of the monitoring of school boards and I would like to work towards that. But there has to be, again, a central direction and there has to be a link so they talk to each other and they feel that they are part of something different from the board.

**Mr Cousens:** I appreciate your presentation. I have been on two school boards: the Penetanguishene Protestant Separate School Board for two years and then on the York Region Board of Education for eight years, and I have some sense of identification with the frustrations you have gone through and you feel. I think you have expressed the view of many, many people in your presentation today. I think that as a committee we are in a position to really look at it and appreciate it and deal with certain parts of it.

The problem we have—and I think we will be getting our own report and doing our own study—is that there are areas in your presentation that really are out of the purview of our committee. I would like to go into them further, but I think that when you are dealing with this supervisory officer and the ethics committee, that is not something where I see ourselves in a position to deal specifically with that. Maybe other members of the committee will feel we can. There may be certain recommendations we can make. Your expectations of this committee may be higher than what I have of it, not taking away from that—

**The Chair:** Thank you, Mr Cousens.

**Mrs Dodds:** It has to tie together, though, you see.

**Mr Cousens:** I know it does, but I want to raise a couple of points. The one has to do with the presentation we had yesterday by the people from your board. It said they could "be audited into inaction." That was the kind of reference structure they began with, and I just wonder, is your group and some of the other concerns through your own internal audit committee causing other members of the board to feel, "Well, we'll never get on with—"? There is no doubt that there are two points of view, and what we have are is diametrically opposed positions on that. Could you just comment on that?

**Mrs Dodds:** I think an example would probably illustrate the difference between my way of thinking and the way of thinking of the current chairman of the board, for instance, whom you met yesterday. When I first became a trustee and realized that staff could transfer funds from one budget item to another without referencing anyone, without getting anyone's approval, I suggested at a committee meeting that there should be a policy limiting the discretionary powers of administrators to transfer funds from one budget item to another.

My opponents on the board yelled very loud that I was displaying a shameful lack of trust and that I was impugning the integrity of administrators; that a board functioned on trust, that our job was to make decisions in the boardroom and what happened after that we were supposed to trust. I do not distrust or dislike the people who work for the board; I simply recognize human nature for what it is and know that people are more inclined to behave consistently



with the direction given if they know there is a likely consequence for not complying. This cry of "trust" is one I find difficult to take.

The reaction of the board when the provincial audit was announced—I told you that some of us were leaping up and down for joy; not everyone was. The then superintendent of business was very upset, saw it as an intrusion on his power and even spoke to a meeting of the Ontario Public School Boards' Association in which he presented an overhead that stated this: that the government had made all sorts of demands on boards, had increased our costs against our will, had reduced our funding, and now they were going to audit us to death, as if this was a bad thing.

I thought that was a rather contradictory statement, because it seems to me that if you have a good audit then the government would find out what it was doing wrong and would be more likely to change its direction. But it was very much viewed as an intrusion, as impinging on their power. You are looking at a power struggle here of the highest order.

**Mr Cousens:** That is the problem we are always going to have. I would like to get the auditor to comment, and maybe you to comment back if we could, on the point you made about value judgements to be made by the auditor. To some degree we are looking for value-for-money audits, but the kind of value judgements that were referred to by Mrs Dodds, could you comment back on that? I would not mind some dialogue on it because maybe we are missing something in the responsibility you should be having that we have not talked about.

**Mr Archer:** Just a couple of points. The inspection audit clause that we operate under is very limited. It essentially limits us to looking at financial matters. The first board we went into was Lakehead. We had been through universities and hospitals and we had been held to the line by legal opinion as to what we could look at and what we could not, and we tended to keep within those parameters when we got to the board just to try and limit the impediments that might be put in our way.

I think the comment Mrs Dodds makes is that we did not go as far as maybe she expected we would. I do not know as we would ever have gone that far, because we might question value in some areas but nothing that touched on policy. But we would certainly question value with regard to economies and efficiencies of running the organization, possibly draw some comparisons between boards, between schools within boards relative to staff ratios and that type of thing, which we did not get into at Lakehead.

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Having gone through two school board audits, we found out there was not the resistance to provincial audit that we had experienced in the past, that we could push the parameters out, and we are doing so. We are doing six boards this year, and we are going a little further than we have in the past. We are not going as far as we would like because we do not want to go whole hog because I think we do not have the mandate to do this.

That is why we came to the committee last fall and asked for its support for us to get a change in our Audit Act to give us a value-for-money mandate on all transfer payment audits, in other words, to give us the same audit authority that we have when we go out to a government ministry or a government agency. That, in effect, allows us to look at virtually anything, as Mrs Dodds mentioned. There should not be anything that we should not be able to look at. Where the control or limitation comes in, there are some things that maybe we should not comment on, and this is where the policy aspects come in.

**Mrs Dodds:** If I might respond, I think the Provincial Auditor should comment as a taxpayer would, looking at how his money had been spent, that you should not be limited. For instance, we have a program called Partners in Action, or we did. You would see it on the budget. It is supposed to increase the use of libraries. We are in the business of teaching children; therefore, the only measure of success of such a program would be, "Have children actually started reading more?" A lot of money, committees, time out of class, all sorts of things spent on that. Do you know that no one bothered to count the before and after of how many books children were reading, or how many children even went into the library? They just conducted this expensive program and had absolutely no measure of its effectiveness. You should have commented—

**The Chair:** Mrs Dodds, perhaps in defence of the auditor and what I understand he is saying is that the scope of his investigatory powers is not to spill over into what is a policy field. You say that he should comment as a taxpayer.

**Mrs Dodds:** Yes.

**The Chair:** I as a taxpayer may comment that a particular budget was terrible. That includes policy, plus, I guess, the right to be upset about it, but the auditor, and I think the committee would agree, does not have that authority, at least at the moment anyway.

**Mrs Dodds:** I think he should. That is my point.

**The Chair:** That may well be the case but I think, as Mr Cousens said, a lot of the frustrations you have expressed and that appear in the article, which I think is very interesting—at the end of this document as to the lack of powers of trustees is probably something that should be examined in another way.

**Mrs Dodds:** Yes.

**The Chair:** But, really, our position is one that is limited to a degree in terms of what the auditor can do and cannot do. I just simply say that the auditor is confined within the terms of his powers.

**Mrs Dodds:** May I ask you, Mr Chairman, if it is within the mandate of this committee to recommend that the powers of the Provincial Auditor be expanded?

**The Chair:** We can do that. I cannot speak for the entire committee, but I would think we would not want to put him into a policy field. I think that is unfair to any person who is, in fact, in the service of the government as opposed to being an elected representative.

**Mr Charlton:** Mr Chair, could I raise a supplementary on this issue of policy?



**The Chair:** Sure. Mr Cousens.

**Mr Cousens:** I am glad to hear from Brian. The only point I was making is that we are often dialoguing with the auditor on his powers and how we can be looking at them. To me it is worth while that you raised it and we will be reviewing it. But I do not think we have the perfect answer and I do not know where it is yet. We will be—

**Mr Archer:** Just to help clarify that point: All we are looking for in the transfer payment area is the same authority that we have when we audit a government ministry and a government agency. We comment on a lot of things there but we stop short of making value judgements on a government policy. Now, what constitutes a government policy and what does not is very often open to question. We have been accused in some areas, particularly in the area of health, of going over that line. But we try to avoid criticizing or making value judgements on government policy. I think the same thing would hold true if we were auditing a school board: We would stop short of criticizing the ministry's policy that is being applied by the board.

**Mrs Dodds:** I respect you for having taken that position in the past, although I think we are now entering a new era, that the time has come to criticize and criticize strongly, because if we do not expose all the flaws the public is going to revolt. The tax burden has become excessive. People on the street no longer feel they are receiving value for the dollar they must pay by law for their taxes at all levels, and I think we are going to reach a point in this country that the public overthrows its own institutions. Obviously, we have had several elections that have begun to show us the—

**The Chair:** Yes, but they overthrow the politicians, not the people who are occupying a position such as the auditor.

Mr Charlton, your supplementary.

**Mr Charlton:** Just on this question of policy; I understand clearly what the auditor said in terms of commenting on the policy itself, in other words, making a value judgement about whether the board has taken an appropriate policy position. But there is the other aspect of what Mrs Dodds has raised and that is the question in an audit of commenting on whether the expenditures as they have occurred have implemented the direction the board gave. Is there anything in the present circumstance that stops you from making that kind of comment?

**Mr Archer:** None whatsoever. That would be perfectly within our realm.

**Mr O'Connor:** Thank you for coming down here today to join us. I think we are going to have a nice sunny day and maybe the temperature is going to warm up a little bit.

**The Chair:** I think it already has.

**Mr O'Connor:** Isn't that great? In this room anyway.

**Mr Bradley:** It is an election year.

**Mr O'Connor:** I guess that is maybe part of it.

You are a very eloquent speaker, unlike many of us new MPPs. Hopefully we can be a little bit more succinct

in the delivery of some of our questions and maybe the answers can follow in a similar manner.

One of the things you had mentioned was the audit committee and how it is appointed. Maybe you could expand a little bit on your audit committee.

**Mrs Dodds:** Yes. We placed ads in the newspaper that called for people who had an accounting and/or business management and/or financial management background who did not have any pecuniary interest in the board to sit on this committee in a voluntary capacity. We then interviewed the people who applied and the board voted to select three of them. We were gratified at the level of response we received. There were some very competent, highly influential people who were willing to perform this service. I thought they should be paid an honorarium for attending, because if these people earn their livings giving financial advice to other institutions I felt it only right that they should receive something for doing this at the board level. But the board voted that down so they come for nothing.

**Mr O'Connor:** The mandate, then, of the committee as it was set up by your board—did you make part of that the value for dollar that you have talked about?

**Mrs Dodds:** No. The committee can make recommendations to the full board. Only the board can ratify a recommendation that comes from the audit committee. I am sorry, I did not bring those documents but I can provide them later for you if you like.

The committee's mandate is to review all financial reports before they go to the board and to add comment or clarification, where needed; to follow up the recommendations from our annual audit, the management letter of recommendations; and to recommend to the board areas of the operation that should undergo periodic comprehensive audit. We are trying right now to get our professional development fund better explored. The director of education believed, because it was not included in the Provincial Auditor's report, that the Provincial Auditor had examined it and that there was virtually nothing wrong. So we had to overcome that objection. I had to point out to them that you had a limited budget as well; that the absence of something did not necessarily indicate its approval.

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**Mr O'Connor:** Okay, and one other thing. The auditor had mentioned in his report the one-time funding in different areas, and I think you referred to that. The board in its presentation did not go on much with that. Maybe you would like to share some of that.

**Mrs Dodds:** Okay. The example I raised had to do with capital versus operating, and I think all capital expenditures should be separated so that you can track your increases in operating costs and you can then calculate them on a per-pupil basis. We did have, until two years ago, fluctuating enrolments, so it is your per-pupil costs that you need to track. Capital expenditures, such as the purchase of equipment or the renovation of buildings, whether they are paid by the ministry or not, should be treated as separate budget items, because they may be huge one year and small another and there would not



likely be an inflationary progression in those, as there would be in operating costs.

However, the one-time expenditures that you are referring to are slightly different again, and that is not the difference between operating and capital but would be, for instance, where programs are funded temporarily as special programs by the ministry. What used to happen, which has now been changed—that is one very positive result that I see coming out of our budget documents this year—is that if the ministry, for instance, said, “We’re going to give you a special grant to conduct a study of your employment equity”—and that is not the exact phrasing of it, but this did happen—that would be put into our budget, along with everything else. Now, the grant would run out and we would not know. The next year, the previous year’s numbers were given to us as a base and then an inflationary amount added on. So what you voted for, thinking that it was a one-time thing—“The ministry is giving us this special money, therefore we will do it but will reconsider it next year”—you could not even find it next year in the budget. It was rolled into the base.

**Mr O’Connor:** Perhaps as the budget was placed, it should have been itemized a little bit further.

**Mrs Dodds:** Yes. Now that change has been accomplished. Those items are now removed, so that they are on separate pages, they are listed separately and we are able to see when they stop. When the grants stop, we can then make the conscious decision as to whether we want to continue it or not.

**Mr O’Connor:** One final thing: schools being under-utilized. I think that goes back to Bill 30 and the changes that have taken place there. I can understand how the board had some problems and difficulties trying to decide which schools, and the political ramifications of closing a school in someone’s neighbourhood. Perhaps you would like to share some of your opinions there.

**Mrs Dodds:** Oh, yes. I am afraid that part of the Provincial Auditor’s report hit a sore spot with some of us, because, after all, an election had been fought and won on that issue.

I do not know of any reliable evidence that we save as many dollars as we think we do when we close elementary schools. I do know there is a substantial amount of evidence to the contrary. You have to remember that the biggest proportion of our cost is salaries and that the number of people we employ is all determined by ratio, so what difference does it make if your students are going to this building or that building? You are still likely to have roughly the same number of employees and that is at least 85% of your cost. So the savings in consolidating your schools or in making giant factory-like schools as opposed to the smaller neighbourhood schools are marginal, I think, at best at the elementary level.

At the secondary level, it is different, because you have very expensive courses that are more economically accomplished if you have larger numbers of people taking them. If you are going to equip a chemistry lab, it makes more sense to run that lab four periods a day than it does to run

it one period a day. So there is a difference at the secondary level.

The particular issue that was referred to, we saw the auditor’s comments there as a reflection of our own administration’s persuasion. Our administration had recommended the closure of a particular high school. That decision had been reached by a bunch of principals who went off to a retreat and made that decision in the total absence of any data or statistics or analysis. The decision was actually made behind closed doors by administration before the public was even aware of it. Trustees began discussing that particular school and, indeed, the director signed a document with the Catholic board and the Ministry of Education well before the public even knew what school had been targeted. The closure of high schools is not only a financial decision.

**Mr O’Connor:** In the financial report of your board that you approve as a board, I suppose you would have in that budget a breakdown of plant costs, operating costs and salaries. Has there been any change reflected in the budget?

**Mrs Dodds:** The past 22 schools that have been closed have resulted in no appreciable difference in the budgets that I have been able to pick out, and one of them was a large high school.

Our new superintendent of business, whose background is not in the educational field—which I think is going to bring a refreshing new perspective to our board; I am delighted he is with us—has come up with an idea for targeting the anticipated savings and for making sure that they do not just get rolled into increased operating costs. He is going to take the number of dollars that we expect we are saving from the closure of a high school and is going to budget for that money, but is going to place it into a special reserve fund for future capital projects, and it is a very good idea.

I do not know why those savings did not show up in the past. You would think there would be some from closing a school. Maybe not as many as we expect, but you would think there would be some. I cannot pick them out. The rate of increase of costs at the board has gone up at a rate far greater than inflation year after year after year after year, and 22 schools have been closed.

**Mrs Cunningham:** It is a pleasure to see you today. I would think that you suffer significantly for the stands you take on behalf of the public that you represent.

**Mrs Dodds:** Yes, I do.

**Mrs Cunningham:** I have been there too and decided that I would see how it worked from the other side, and I can assure you, in my view it is worse. So I think you should—

**The Chair:** You are not suffering here.

**Mrs Cunningham:** Yes, I am. Not for what I do or say. I think I am treated very fairly, because I think I am fair and I love what I do, Mr Chairman, and I also am given complete rein to do my work, which I really very much appreciate. That is the one thing that is different.

**Mr Ruprecht:** Because you have got a fair Chairman.



**Mrs Cunningham:** I am very fond of the Chairman of this committee. He has always been a fair Chairman. I embarrass him when I say it and I enjoy saying it whenever I have the opportunity to do so.

**Mrs Dodds:** He seems pleased.

**Mrs Cunningham:** Yes. But I really admire what you do and how you do it, and some people may not agree with either of us. I am sorry that you have to do it the way you do.

**Mrs Dodds:** So am I.

**Mrs Cunningham:** I am sure you are too. In my experience, after some 15 years of being an elected school board trustee on a board where I feel that we did work very well with our administration—and from time to time, depending on the board and depending on the people, we did better in some years than others—I will say for the London Board of Education, we use our budget process as an audit process, in that it is so open and it goes on for such a long period of time and the computer printouts, line by line, are examined in public. People would not agree that that would be an audit process, but you can see every single transfer that takes place and the date it is made, and it is basically turned into an audit process. It is just a different way of doing it, and I think different boards do have different ways of doing it, but I think your complaint and my complaint would be that most do not do it well at all.

I just would like to say that I share your views with regard to some administrators across this province of what I would call a blatant abuse of authority and total lack of respect for the boards that serve the public. But I also blame the trustees, and I blame them because we have been given the authority and the power as elected persons to be in control if we want to be. I think politics gets in the way.

When I opened it up and said it was worse here, it is worse here because ministries, obviously, do not have elected school boards to scrutinize the expense of public dollars. This committee does the best it can, given the time frame we have and given the experience we have through time here, to be able to ask the right questions. It is very, very difficult for provincial politicians, in my view, to be on top of things.

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**Mrs Dodds:** It has become too big.

**Mrs Cunningham:** It is much too big. If we were to spend our time really wisely, we would count on people such as yourself to do your job in your own school board and to have help from time to time, which I believe the auditor has given in his ventures into school board auditing, which I approve of. I would also ask you about three questions. Feel free to say whatever you like, too, with regard to what I have said.

**Mrs Dodds:** I was just going to make a comment about the reaction of trustees. I think you are right that the boards could exercise more authority than they do, but I think they need help to do so because there are numerous factors that operate against us and most people just simply

become lost within it. Not everyone is as stubborn as I am, and I am lucky that I now have a team with me.

But just as an example of how deluded people can be because it is so much more comfortable to be part of the team, the Provincial Auditor went out of his way to be very courteous in the report, and he was requested at a meeting that was held with the board before the report was released to say something positive, and he did. He said that by and large things were found to be fairly adequate and that everyone had co-operated well at the board. It was a very gracious thing to say and it was correct. Meanwhile, out of the six areas reported on, four of them showed flaws and problems that, to my mind as a business person, were absolutely awful and needed to be corrected immediately. But do you know what—I will call them—the old guard trustees, one of whom you met yesterday, stated publicly? “The board has received an A in the provincial audit. There is absolutely no evidence of mismanagement or inefficiency.” And that is what was printed in the newspaper.

**Mrs Cunningham:** If I can interject—

**Mrs Dodds:** They could not even read.

**Mr Bradley:** We cannot fight the board battles here.

**Mrs Cunningham:** Yes. I think basically—

**The Chair:** Your enthusiasm is appreciated, but I think the way we have called the witnesses has not given the people who appeared yesterday an opportunity really to defend themselves. I think maybe we will perhaps avoid that type of—

**Mrs Dodds:** Certainly.

**Mrs Cunningham:** Mr Chairman, on that point, we ask witnesses to come here and give us the best advice. What we are seeing here is the best advice of an elected trustee who has been asked to come before the committee, using her own style, which—

**The Chair:** I agree, but Mrs Cunningham, in light of the fact that she has come after the other witnesses, I think maybe we should try to—

**Mrs Dodds:** I would not characterize it as “come after.”

**Mrs Cunningham:** I was not here yesterday. I read the report and I have some questions to ask you about this report. I think you are right on the weak accountability for budget transfers. It was highlighted in the audit report.

**Mrs Dodds:** Yes.

**Mrs Cunningham:** The numerous budget transfers, the excessive numbers, raised questions as to the accuracy. Those are just two examples.

**Mrs Dodds:** Yes. We were successful in getting a budget variance policy drawn up. It was originally developed by the audit committee and it has now been approved by the board. We are finding in the first months of the implementation of that policy that it has a fatal flaw, and that is, we are advised of budget variances after the fact.

**Mrs Cunningham:** But you see, from my point of view, you are raising a question here publicly—and we all know we have a lot of school boards across the province where these kinds of things are happening and where we



are told it is policy problems. I think that, quite frankly, the Provincial Auditor was very kind. In the first place, I think he himself stated that this was the first school board he audited, and I think as time goes on he will probably be not nearly as kind.

**Mrs Dodds:** I think it was quite right the way it was done.

**Mrs Cunningham:** I also feel that the board was very kind in its response to one of the statements in the provincial audit report, and I am hoping that Mr Archer will get his pencil out and write this down now. On page 63 of the audit report on the underutilized schools, where the auditor was mentioning Ministry of Education guidelines, I just do not agree with that statement at all. I will be very specific. When we are talking about school closure policies, I would call them school accommodation policies, and I thought we made that very clear some 5 or 10 years ago. If I am out to lunch on this I hope your audit department will get back and tell me because I do not want to misrepresent what I feel are the directions from the Ministry of Education. Where we talk about identifying surplus schools, we use the "word underutilized." We do not talk about surplus any more. That one went out. These may not mean a lot, but they do mean a lot when you are talking about what I think the next key is. Transferring is highlighted, but we do not talk about sharing. So I think in the next report you should fix that one up, and if I am wrong I would appreciate being told about it.

But I think in the province of Ontario all areas that are responsible for the administration of public funds, whether they be local school boards or ministry departments, need thorough scrutiny by somebody. Our only hope right now is the Provincial Auditor, who, by the way, is not always treated with the kind of regard and respect he should be treated with. I do not say "he" meaning the person; I mean the role. We, as elected people right now, are searching for solutions and what you have done is raised the question: What is the solution? We are desperate for a solution around I think a lack of respect on behalf of people who are hired to give us the best advice they can, both in this building and in ministries across this province, and in school boards.

**Mrs Dodds:** First of all, my first brief has a mosaic of solutions that I think you will find interesting because they address the problem from many different directions at the same time. Second, in response to your points about school closures, there is no such thing as a school closure that is made strictly on economic grounds.

**Mrs Cunningham:** That is right.

**Mrs Dodds:** Schools are very emotional objects to the communities and you have to take into account the history of a school and the kind of community that it comes from and the role the school has played within the community. It would be nice if such decisions were strictly financial, but they are not. Every one is different, also. I would be very hard-pressed to come up with a rule on how to close schools, because every single situation is different.

But there is a point I want to make, Mr Chairman, that I think is extremely important. I know a lot of people find

it uncomfortable to hear anyone referring specifically to someone else's behaviour, but there is no such thing as legislation in and of itself that creates a reality. Legislation is only—

**The Chair:** You are addressing my—

**Mrs Dodds:** Yes.

**The Chair:** No. That is not the point. The point is that these people are not here who were called ahead of you, and I think it is inappropriate that we refer to individuals since they cannot defend themselves afterwards. So all I was asking you to do was to stay within the parameters of telling us what you object to. We can read enough, I think, into what has been said thus far to make our own determination. We do not want to get into a contest. As Mr Bradley says, we do not want to go into your board of trustees and hear good and bad things and get into a fight ourselves. That is not our mandate.

**Mrs Dodds:** No, no, and I agree with you totally. I guess that has become my trademark, that I do tend to use personal examples as illustrations—

**The Chair:** All I am suggesting is that we would perhaps prefer not to have that.

**Mrs Dodds:** I will abide by that, Mr Chairman, but there is a point I wish to conclude because I think it is extremely important for people to recognize: the reason it is extremely important to somehow—if not in this setting but in another—examine how people behave in a given circumstance, not to judge the individuals but to see how they behave as a result of the structures and the legislation within which they operate. Legislation in and of itself does not create a reality. It simply causes people to change their behaviour. Sometimes you cannot predict how people's behaviour will adapt to any particular structure or legislation that is imposed.

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When you are considering changing legislation, which I think is urgently needed at this time, however painful and confrontational some people may find it, it is important to look at how people have behaved, what they have said, what they have done, how they have viewed their roles, and what power structures they have formed. That way, you have a better chance of designing legislation that will elicit the behaviour you seek. That is my only point, and I will take your warning seriously.

**The Chair:** I think the committee is probably pretty clear on what you are trying to tell us. At least I believe that to be the case, anyway.

**Mrs Cunningham:** Just in conclusion, I am going to take away from this meeting that your great concern is about governance itself—

**Mrs Dodds:** Yes.

**Mrs Cunningham:** —and that we need some assistance there.

**Mrs Dodds:** Yes, we do.

**Mrs Cunningham:** I would ask you: Did you happen to take a look at the remarks by the acting deputy minister to this committee?



**Mrs Dodds:** No.

**Mrs Cunningham:** Before you leave, I would appreciate it if Mrs Dodds could have a copy of that, Mr Chairman.

**Mrs Dodds:** Who is the acting deputy?

**Mrs Cunningham:** Dina Palozzi. I think you will find it very interesting, because there are some actions the ministry is taking with regard to transportation. Also, my last question: One of the statements is, "The matter of the teacher negotiation process may be addressed in a review of education finance," and you did not say anything about that.

**Mrs Dodds:** That is our biggest problem, is it not? Most of our costs are in wages, and we are in the position that our children can be held hostage at any time by what has become the most powerful federation of unions in this province. I have great respect for people who teach well and who work hard as teachers. However, I think the general public is beginning to feel now that we are blackmailed by this very powerful association, and that the amounts we are obliged to pay them and the number of them that we are obliged to employ are out of proportion to the benefit we derive as a society. We are no longer in control. I do not know how you are going to get around that, but I do think the right to strike should be removed. That is number one.

**The Chair:** That is not within our purview here, but—

**Mrs Dodds:** That is unfortunate. I hope it is within someone's purview some day.

**The Chair:** Mrs Cunningham, you have—

**Mrs Cunningham:** No, I was just wondering, I think you would be interested to note that it was, in my opinion, addressed for the first time that the ministry has ever addressed what I refer to as Bill 100.

**Mrs Dodds:** Five years ago I stated to another committee like this, I believe, that that bill has to be completely changed, and one is that the right to strike has to be removed. It is being abused.

**Mrs Cunningham:** I appreciate—Mr Chairman, I am sure you do as well—the recommendations. You have given them some thought and you have left our committee with something to work on, and that is great, because coming out of every presentation like this there could be criticism, but there also has to be a sincere thank you, because we have something very specific to deal with now in our deliberations and I thank you for that.

**Mrs Dodds:** Thank you for having me.

**The Chair:** We appreciate that, Mrs Dodds. You see, by raising the question of Bill 100 I am sure there will be many questions of you on that issue, which really does not deal with the public accounts issue, but I am sure—

**Mrs Dodds:** I am pleased to answer them. We came close to a strike last spring.

**The Chair:** —there would be members of the committee who are just itching to get at that.

**Mrs Cunningham:** I would not have raised it either, but the ministry did in specific remarks to our committee,

and that is the only reason I thought Mrs Dodds should know about it.

**Mrs Dodds:** Thanks, I will look at that.

**Mr Ruprecht:** My question has already been effectively asked by Mr O'Connor, but I wanted to thank you very much, Mrs Dodds, for appearing in front of this committee and expressing your great enthusiasm for reform. Mr Chairman, if I might, just let me point out to Mrs Dodds and to the rest of the committee that you may wish to look at the Globe and Mail article of today entitled "A Request from the Bottom Rung" by Jim McMurtry, which outlines the fairly contradictory policies of education in Ontario.

**The Chair:** You will probably sell at least 20 more newspapers, I would think.

**Mr Hope:** I first of all want to thank you, and I am going to bite my tongue on some of the issues you brought forward because it does not deal with the public accounts issue. I guess one of the problems that deals with it is talking about the teachers. I was reading through all your report before I asked questions, and I notice you say that some of the teachers take four to five sick days off, and you are saying about the calculation or how it is being marked for teachers to take time off for absenteeism. That number that you have in your document you have presented to us, is that encompassing all sick days or just sick days that are reported?

**Mrs Dodds:** That was the average number of sick days reported in each of the panels that year in the Lakehead board, and it is a higher-than-average number of days.

**Mr Hope:** What is the average?

**Mrs Dodds:** Gee, I would have to think back. Not the average for all boards; I am talking about the average in other industries. I am sorry, I cannot remember what the figure was that was given to us for an industrial average that year, but teachers, by and large, do take more days off for purposes of sickness than do people in other employments. There are many other kinds of days they take off as well, and my concern is that we are supposed to teach the kids for only 185 days a year. I think we had better start putting a very high premium on those days and not allow absences for any purpose other than sickness.

**Mr Hope:** I have two children who are in the school system as of today. I am in full support of the lowering of the class size. When you started talking about how we used to do it in the years before I was even thought of, about how the class sizes ranged about 50 people in a classroom, just for your information, because you had made a comment saying we have created professors and everybody else out of that system, where I come from, from a workforce that represented working people, the majority of the time frame that you are talking about are the people I was dealing with in my previous job, trying to educate in the basics of reading and writing. You would be amazed at the amount of people from that time frame and that age group who do not have the ability to read or write, so I guess you—



**Mrs Dodds:** It would not surprise me at all. What age group?

**Mr Charlton:** Your age group.

**Mr Hope:** I was not going to say that.

**The Chair:** If you listen to the news you will find out how they read and write.

**Mr Hope:** So some of the comments that you dealt with on that issue, but I would like to move back to the role of the trustees. I guess you share a viewpoint on your area and your board's concerns, because the issues that you are putting forward are not necessarily issues I hear in my own riding. There is a good co-operation between the administrative section of the school boards and also the school board trustees. They have created a communication. I am trying to understand where you said you had no power. I guess my question would be to you: How many trustees who are elected by the general public have voting rights at the meetings? How many were sitting at that board as trustees and had voting powers yet you are telling me you had no power to override the administration?

**Mrs Dodds:** I think that the exercise of power—

**The Chair:** Could I just stop Mr Hope for a second, Mrs Dodds? Did you get a chance to read the last article that is attached to the material here? It is a newspaper article, actually. It sets out, certainly—

**Mr Hope:** I do not read everything I read in the news.

**The Chair:** Oh, no, but this is—

**Mrs Dodds:** That article is accurately portraying what happened.

**The Chair:** —this is supposed to be legal opinions. I guess this was a seminar where you had a lawyer—cannot trust those guys either.

**Mrs Dodds:** There were two of them, even.

**The Chair:** Two lawyers are worse than one, actually. I am sure I will be drummed out of the profession for that one.

**Mr Hope:** I guess I will read that and we will avoid that one question I asked. But I was sitting here listening to some of the comments that you put forward about the trustees, and I guess as I listen to more and more of your conversation I start to wonder, are we dealing with the auditor's report or are we dealing with a political stance for the next election? All politicians are good at comments. I—

**The Chair:** Mr Hope, this witness is not here under subpoena, she is here at our request, so I think we should not—

**Mr Hope:** But if I read through the report that is filed before us and try to get a grip on how we can be more accountable for public dollars that are being put into the boards and other avenues that we put money into—and I am trying to get a good grasp, because I did read the report and I am trying to understand it.

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**Mrs Dodds:** Let me summarize it for you. In order to get a good grasp on controlling finances at the school board level, which I believe it is your obligation to do, the

first thing you have to do is to ensure that there are regular, consistent, analytical studies done across the system at all times, such as teacher absence, return for the dollar, and the other points I mentioned; regular reports that are done, so that you at least have a basis of comparison to use across the system.

The second thing you have to do is to very clearly spell out to trustees what they are there to do. You would be amazed how many trustees have no idea. I have reams, boxes full of correspondence back and forth between the succession of ministers of education we have had and various trustees and organizations across the province, where everyone is saying it is somebody else's job. I am saying that what you have to do as a government is to clearly spell out whose job is what and then make sure it is done. And that includes the trustee's job.

**Mr Ruprecht:** We agree.

**The Chair:** What were you muttering?

**Mr Hope:** I am trying to get a grasp. Looking at the auditor's report, where the board was here before us today talking about the auditor's report, talking about how they are trying to fix some of the problems to be more accountable, then I guess I look at your report; I have to do a comparison because I do not have the other panel sitting here to put that question to. I am trying to compare the report that you have filed with us, both these documents and this document here, to try to come up with an analysis of how we can make the school boards more accountable in a process that will make sure that the general public, the taxpayers out there, are being justified for their dollars. The unfortunate part is the other panel is not here to oppose their presentation. It is not too often we get in two opposition corners here.

**Mrs Dodds:** Invite them back. That is up to you. There is one aspect of the auditor's report that I had some difficulty with, and I can appreciate why it came out the way it did, but I think it will answer part of your question. There were several assurances made by administration to the auditor that certain things were being reviewed and were going to be changed. That was taken at face value by the auditing team.

I have been hearing those same assurances for years. I pointed out in 1985 in writing and in a letter to the auditor at that time—I do not know if he remembers—that for instance there were no controls on inventory at the schools, nobody was keeping track of the equipment that was purchased. I pointed it out then with three successive superintendents of business. I have said: "Look, you must start to write down what you have in those schools and at the end of the year each teacher should take that list and go into the classroom and make sure that what was there at the beginning is there at the end."

**The Chair:** That may be why Lakehead was looked into.

**Mrs Dodds:** Yes, so I do not accept an assurance that something is going to be looked at as reason to say: "Well now, everything is going to be fine. I can go home." I also do not accept the suggestion that is made constantly to us by administration that they cannot accomplish some of



these better financial controls without a lot more computer capacity. You have to have data to put into the computer, and before you can put it into the computer you have to write it down. The computer is not going to know that there should be 27 typewriters in this classroom unless somebody goes around, counts them and writes it down first.

So until I see some evidence within the system—which in all my five years as a trustee I have yet to see—that someone is requiring that that manual work be done first, I am not even about to support an expenditure for more computer capacity because I think it will be used as another expensive toy.

**Mr Hope:** I take it you still sit on the board as of today.

**Mrs Dodds:** I am a trustee until the end of this term, yes.

**Mr Hope:** Okay. My question to you then: In their document yesterday, a full review of purchasing policies and procedures and the internal control will be undertaken in 1991. Has that occurred, and has that begun?

**Mrs Dodds:** Not to my knowledge.

**Mr Hope:** Okay, I am going to step aside. There are only 15 minutes; let somebody else ask questions.

**The Chair:** Mr Ferguson is next, and my last questioner as far as I can tell.

**Mr Ferguson:** Thank you very much, Mr Chair. I just want to thank you for coming out this morning. I certainly can identify, having had the opportunity to serve on municipal council, with many of the issues that you have raised. It has been a common complaint, I think, among many trustees who have served that upon entering the boardroom they do not feel they are making decisions; they feel that they are sitting there making suggestions, and it is very much the administrative staff who drive the agenda for the board, or drive the bus, and the trustees are merely along for the ride as passengers. But one—

**Mr Ruprecht:** Just like the backbenchers.

**Mrs Cunningham:** Not this backbencher, I will tell you.

**Mr Bradley:** Just like the cabinet ministers.

**Mr Hope:** Just like our opposition.

**Mr Ferguson:** One of the issues I would like to raise with you—and I really do not think this issue of policy or the way you boards operate versus budgeting are mutually exclusive. It is the old question of having the responsibility but obviously very little authoritative power.

Most municipal councils operate very much in a political sense. They are much more political, I think, than boards, and I do not mean that in a partisan way. I think most municipal councillors see their prime responsibility as to not only levy taxes but to make decisions based on the priorities of the community. I have always viewed local boards of education as very much country club affairs, where it is much easier to be cosy and chummy with everybody—certainly you do not challenge the status quo—and let everybody get along and hope we can keep our heads low, and duck out of the way of any major issues

that come our way because, for goodness' sakes, if in fact something major does happen it is the responsibility of the trustees and certainly not the staff to defend the current positions that are taken.

Could you tell me what the ministry could do or what this government could be doing in order to try to instil in the individual trustees that in fact they are performing a very important political function and they are not merely there to sit on the bus and go for a ride?

**Mrs Dodds:** First of all, as I have stated, the legislation must clearly spell out the duties and the powers of trustees, and individual trustees should be given more power of independent action, although anything that impacts on the whole system must be a majority decision, obviously.

Second, the orientation of trustees to their jobs should not be done by our administrations as it is now done. I would love to be able to say that it should be accomplished by the Ontario Public School Boards' Association, which one would expect to be an association of trustees, but as you know that association is also dominated by directors of education. In fact, the first executive director of the school boards' association was a former director of education. So there has to be a way of training new trustees to their responsibilities that is totally separate from the administrations of them. I would also love to be able to say that it should be the ministry that does it, but I believe those people are also in the same power structure as our own administrators, so we will have to develop an outside system for training new trustees. The legislation can assist a great deal.

**Mr Ferguson:** I think there is a real possibility that exists in order to do that. However, if individuals are not prepared to take it upon themselves and assume that responsibility and role under whatever guidelines are adopted—

**Mrs Dodds:** I do not think it is within the mandate of this committee, but there are several things that should be done. Boards should be smaller so that each person would have a higher profile within the community. As it is now, when people go to vote in Thunder Bay, for instance, in the municipal elections, there are over 100 names being promoted to them all at the same time, because you have all these people running for both boards, the municipal and the hydro commission and the French boards and so on. The average person has no idea who is who. Somebody could be dead, but if their name is familiar they get elected. So you would need to make it more accountable—

**The Chair:** Aardvark is the best name. I was thinking of changing my name to Aardvark—

**Mrs Dodds:** That is right.

**The Chair:** First on the ballot is good for about 20% of the vote, I understand.

**Mrs Dodds:** Yes, you are exactly right.

**Interjection:** What you want is, "none of the above."

**The Chair:** That is true, yes. My wife calls me Aardvark constantly.



**Mrs Dodds:** Yes, but that is another whole issue to be delved into. I think there is need there to be changing the structure as well, yes.

I guess what it boils down to is that we have to remember that we are not the slaves of the people we employ, we are supposed to be their masters. Something has gone terribly awry in the way this province is run.

**Mr Ferguson:** We have smaller boards now.

**Mrs Dodds:** Smaller boards.

**The Chair:** Thank you. Mr Ferguson may be Minister of Education one day, you never know.

**Mr Ferguson:** Anything is possible.

**Mr Bradley:** They won last time.

**The Chair:** That is right. That did happen, did it not?

**Mr Bradley:** And we won before that. So anything is possible.

**The Chair:** Are there any further questions from any members of the committee? That is not an invitation, that is simply—we would like to thank you for coming down. I would ask you, and I am not sure if this is the committee's intent, but I would think as a matter of fairness we should do this. I gather you would have no objection if we were to send a copy of the Hansard to the previous presenters for their comments. I think that is a fair way of letting them at least have their—I was going to say "kick at the cat" but that is not a good idea.

**Mrs Dodds:** I am looking forward to seeing the Hansard transcript of what they said and I hope that I will be able to also respond to it.

**The Chair:** We will see that you get a copy of the Hansard of both yourself and them.

**Mrs Dodds:** Thank you.

**The Chair:** We thank you and we wish you a safe trip back. Hopefully you will not get on the same plane that Mr Miclash was on which almost made an unintended stop in the—

**Mr Miclash:** In the middle of the air.

**Mrs Dodds:** In the tundra?

**The Chair:** That is right. Committee members, we are being moved from this room. As you can see, we are the masters of our own fate, as Mrs Dodds suggests. We are being moved to room 230 at 2 o'clock because of the constitutional committee. That meeting will be in camera so that means we will be doing it privately and the public will not be allowed into the room. I can see everyone back there, the public who is here with bated breath, is just overwhelmed by that fact.

**Mrs Dodds:** I want to thank the members of the committee for taking the time to hear me. I know it was not originally scheduled and I am extremely grateful you did. If there is any way that I can help in the future I hope that, either as individuals or as a committee, you will call on me, because I have given the finances of boards a great deal of thought over the years and would be more than happy to assist in any brainstorming or search for solutions that you may engage upon. So I want to thank you very much, and thank the Provincial Auditor for his work as well. It certainly made some of us very happy. Thank you.

The committee adjourned at 1152.

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## STANDING COMMITTEE ON PUBLIC ACCOUNTS

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 Hope, Randy R. (Chatham-Kent NDP) for Mr Hayes  
 Cunningham, Dianne E. (London North PC) for Mr Tilson  
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# Official Report of Debates (Hansard)

Thursday 21 March 1991

# Journal des débats (Hansard)

Le jeudi 21 mars 1991

## Standing committee on public accounts

Organization

## Comité permanent des comptes publics

Organisation

Chair: Robert V. Callahan  
Clerk: Tannis Manikel

Président : Robert V. Callahan  
Greffier : Tannis Manikel

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 21 March 1991

The committee met at 1012 in room 228.

### ORGANIZATION

**The Chair:** As you know or as you may not know, we need a bit more time for the report, so when we finish today we are going to have our next meeting the first Thursday in April.

We wanted to get together today and get some ideas of what the committee would like to do in terms of future agendas. I think you had the agenda beforehand, and I do not know whether you have given some thought to this, and the Chair is open to entertain any suggestions.

Interjections.

**The Chair:** The clerk reminds me that perhaps before we do that we could have a motion to have someone replace Mr Charlton on the subcommittee now that he is in cabinet.

**Mr O'Connor:** We have not actually met to discuss that yet ourselves.

**The Chair:** Oh, is that right?

**Mr O'Connor:** Obviously we will do that in a certain time frame, but—

**The Chair:** All right. Why do we not defer it then to the first meeting in April and you could let us know in the meantime.

**Mrs MacKinnon:** Is that a 10 am meeting?

**The Chair:** Yes. We always meet at 10 on Thursday morning, concurrently with the House and private members' business.

**Mrs MacKinnon:** Usually this room?

**The Chair:** Well, you have to check the parliamentary channel to know what room we are in. We travel. No, we do not travel, actually. They do not let us travel, but we do travel—within this building. Within this building we are allowed to travel, but outside this building we are not allowed to travel for some unknown reason. But leave that as it is.

**Mr Cousens:** Ed Philip spent too much money.

**The Chair:** Well, I think that is right. He may, he—well no, I will not even comment. Impartial is the Chair. But do we have any suggestions?

**Mr Cousens:** Has the staff pursued some of the other subjects? We made a list up originally, if you remember, and I would like to compliment Ray and the Chair and everyone else for it. I think we had very good sessions with regard to the universities and the school system review; why do we not just listen to the advice of Ray or the auditor?

**The Chair:** Well, the auditor has given me the copy that was submitted to us. Might I make a suggestion, if I could, that we investigate the availability of accommodations or places of treatment of alcoholism in this province.

We are all aware of how much people have to go to the United States, and it seems to me that it is a very significant problem; perhaps we should find out what is there, how effectively it is being used, how much availability there is and perhaps what other methods might be set up so we can submit that in a report to the government. Anybody have any difficulty with that?

**Mr Johnson:** I think maybe we could even broaden the scope of that investigation and find out what kind of Ontario health dollars are being spent in the United States either for services that we do not have here or for services that are perceived to be better in the United States. Is that too broad a mandate?

**The Chair:** No, I think that is probably a good idea. We might even consider looking at models that are available not just in this jurisdiction but in other jurisdictions in terms of how they deal with it.

It is my view, and I carry this from my former profession, that probably 80% of the crimes committed in this country, or certainly in this province, are either drug-related or alcohol-related, and the availability of help for people who have alcoholic or drug problems is minute, as near as I can figure on the surface. What we are doing is just housing these people and turning them back out on to the street with maybe a worse habit, and I think we have to perhaps try to find some effective way of treating them.

The Donwood Clinic is an excellent clinic, but you need bucks to get in there, and it has got a waiting list that is significant. I at one time suggested to the Minister of Correctional Services that he might look at incorporating the Donwood Clinic into correctional institutions on a contract basis because they seem to have such great success. Otherwise, all it becomes is political. People think we are putting people think that we are putting people away and we are not doing anything for them while they are in there and they just get out in worse shape and we eventually will become like the scenario of the South Bronx Vanity of the Bonfires, that book about the court system in the United States which I think should be required reading for every Attorney General and Minister of Correctional Services.

Is there any discussion about that or any concern of that being an issue?

**Mr Archer:** Can I just make a comment?

**The Chair:** Yes.

**Mr Archer:** I think it relates to one of the points we raised in section 3.13 of our report. We addressed the out-of-province payments that OHIP is making. For general information's sake, in 1990 the total paid out-of-province was \$120 million, and of that, \$20 million represented payments with respect to drug and alcohol abuse.

**The Chair:** It is page 165, if you have your reports there, that the auditor is referring to.



**Mr Archer:** So in our audit report there is sort of a lead-in, if you like, to the subject matter that the Chairman discussed, and of course what he said would involve getting much more involved and much more detailed information than what is in our auditor's report.

**Mr Cousens:** I think Mr Johnson made a good point, to expand it a little bit, because of the questions that are coming out as to moneys being spent outside the province for services that could be provided here and as it ties in with the introduction we had from the auditors.

**The Chair:** In recognizing the numbers that are sent over there, I have heard some good reports of success; so they must have scenarios that are working that we are not either privy to or we are not employing or we have not concentrated on, and I think we should.

**Mr Johnson:** If I may interject, how do you judge a value for money audit in a health care service? Is it proportion of healing or absolute healing? I would find that very difficult to determine.

**Mr Archer:** When we get into the effectiveness, yes. Most of our observations in health and pretty well any social field are with regard to economy and efficiency of running the particular system. The effectiveness area, which is really the key and the core area, is one that we, as auditors, have not gotten into in any great depth. Our position has been that the government or the ministry or the providers of that service should be coming up with their own objectives and measures to see whether they are achieving these objectives and then, once they have done that, we will attempt to audit to see whether or not they are meeting the measures.

**Mr Johnson:** Sure. The success of any program would be indicated by the amount of "cures" that one might have. If the United States is shown to have more "cures" than a similar program in Canada, then certainly we should maybe observe the differences in programs. Maybe their programs are not as good, maybe they are better, but it is something you might want to look at.

**The Chair:** Maybe we could have research provide for us a list of facilities in one specific area outside of this jurisdiction, hopefully the best or the most productive—I do not know how you determine that, Ray—or maybe a list of them in a number of jurisdictions that we could look at.

1020

**Mr O'Connor:** One thing too is the way that a lot of those operations across the border work; definitely it is business. They have got people planted here to attract customers and they are not really taking care of the social needs of the person who is going over there seeking treatment. They encourage them to be repeat visitors too.

There are some good programs, no doubt, and there are some that work, but as an MPP and in my constituency I am hearing that there are treatments that work and that are effective which we should try to look at here. But there are also some pretty shoddy-looking outfits out there attracting customers in and telling them: "Don't tell anyone in your family that we are going to send you to Texas. Come here at 10 o'clock and bring one small suitcase." Then they are

on a plane and away they go. There is too much of that going on. Once they get them down there, they encourage them to come back for a repeat visit for a month. They are not looking at treatment; they are looking at business.

**The Chair:** I think that is why it is imperative that we find models that are going to be very effective. Do you think that is possible, Ray?

**Mr McLellan:** I will look into it.

**The Chair:** Okay. Maybe you could report back.

Since nobody else is making suggestions, the second one I would suggest would be to look into the question of the justice system and the reproduction of evidence by way of transcription. We are still in the dark ages here in terms of how we do it.

In the United States, they have gotten into the 21st century in that area. I think we should be looking at how we can reproduce the written word in a courtroom quickly and expeditiously, so much so that a judge can look at a page immediately and just pop it out of a word processor. I think to a very large extent, that is creating a backlog in our courts as well and also in the appeals, because these transcripts very often are needed for the appeals.

For US jurisdictions, they are very advanced at this stage, and I think we should be looking at that unless this is something that has already been looked at or is being looked at by the government. I do not think it is. So I suggest that as well.

**Mr Tilson:** I agree with that, and there is a section on the Ontario Provincial Police. Obviously one of the major concerns that I see the public is interested in is with respect to law and order and its cost and efficiency. I believe that should be added to the list. I think it starts at page 172 of the report.

**Mr Johnson:** I mentioned to the auditor at a previous meeting, but it may not be on the record, about community living agencies that are being funded by the government through the Ministry of Community and Social Services. I had a number of concerns raised by constituents in my riding that they do not feel the dollars are being wisely used and that they do not feel the proportion of the dollars spent that rolls down to the clients served is adequate. As the government divests some of these services, it is becoming apparent that although these are non-profit agencies, the funds are not being utilized to the best value for the clients being served.

**The Chair:** Could you give us a couple of examples?

**Mr Johnson:** The community living association in the Belleville area. There have been some constituents who have come to me and said they are not happy. The way things were and the way things are seems to be regressive, as opposed to being progressive, and the value for dollar, in their opinion, was better before than it is now. If we are going backwards, I think this is something we would like to identify and investigate further. Maybe as a result of an audit, we could identify the shortcomings and change that.

**The Chair:** Do they receive government funding?



**Mr Archer:** I am not sure what type of people they look after. Would they be ex-psychiatric patients or something of that nature?

**Mr Johnson:** I am not sure what the term is we are using today, but developmentally handicapped individuals.

**Mr Archer:** That is the subject of this year's auditor's report. We did look at some of those agencies, both the government-run and the so-called not-for-profit; so there are two sections in our current audit report.

**Mr Johnson:** I will scrutinize that more closely and see if maybe there is a need to look more closely at some of this.

**The Chair:** Why do you not do that, Mr Johnson? Maybe when we come back on the next occasion, that could be added to the list as well.

**Mr Cousens:** I support the idea of the police thing, but on the home care assistance, there is quite a section on that which the auditor did some work on. It has come up in the House quite a number of times regarding the problems associated with trying to find people to do home care, the delegation through to nurses and the professional protection that goes on between one nursing profession and those who are not nurses who are doing those services. I am beginning to think it would be good value for ourselves to have a look at that one. I know in my own area it is hard to find people to fill the jobs, and we see the point that the auditors raise—

**The Chair:** What page is that you are at, Mr Cousens?

**Mr Cousens:** It is on page 154.

The whole subject of the auditor came up, and I think we could spend a couple of days looking at the home support system.

**Mr Tilson:** I would concur. There seems to be a trend that is being recommended by the current Minister of Health and the former Minister of Health as to what direction we should be going in health. I know I have had a lot of people ask me, "Well, tell us more about it; what is it going to cost?" and that sort of thing. There have been a lot of big statements made and I think we should do it.

**The Chair:** It might be worthwhile as well, if we get into that and do that, to try to get a handle on what the cost of those services would be if they were provided in an institutional setting.

**Mr Tilson:** That was the purpose of my comment, verging a little bit from what Mr Cousens said.

**Mr O'Connor:** Another area that has been touched on in the report is the homes for the aged, which Community and Social Services funds, and nursing homes, which the Ministry of Health funds. There is a large discrepancy in the dollar funding going to them and, of course, the service that can be provided because of the difference in dollar figures. I have to admit that I have not completely gone right through this, but I know there is a big difference in the dollar funding; maybe that area could be focused on too because, as we know, health care funding is extremely high. I think in the case of nursing home care, which Health funds, they fund less money to nursing home care

as opposed to the homes for the aged. So that might be a worthwhile area. I mean, just for the sake of comparison, we could perhaps find out where the dollar is best spent.

1030

**The Chair:** On that particular issue, there is a very excellent representation in three buildings out in my riding. At Holland Christian Homes, they have independent living in an apartment; then if the person requires perhaps a meal a day to be prepared, he or she moves into the middle building, which provides the meal, and eventually, when the person becomes totally disabled, he or she moves into the third building, which is a chronic care facility. It is particularly excellent for the Dutch community, because many of these people are from Holland and do not speak a word of English. I would think it is a traumatic experience, particularly for people of another culture, to maybe start out in an apartment, then to have to receive some services across town, and then to be moved completely out of their environment for the final stage. I would think that is really a traumatic experience, and very costly.

**Mr O'Connor:** I would think too, with something like that, the established ethnic community in an area such as that would be behind and support it.

**The Chair:** That is precisely how the Holland Christian Homes got going. They got some financial support by the region forgiving levies, but basically they put it together themselves. It may be a good one to look at in terms of something that might be looked at in other areas of Ontario.

Any other suggestions?

**Mr Johnson:** Government schedule 1 facilities. I can speak specifically about Prince Edward Heights in Picton; it's in my constituency. I was an employee there for a number of years and I was always concerned about the appropriate spending, the accountability of spending of government funds as an employee, and certainly now as a legislator I am even more curious. Is this something that would be within the mandate of the auditor to do an audit?

**Mr Archer:** We audited schedule 1 and—

**The Chair:** Where is that?

**Mr Archer:** Page 77. We do not audit all the agencies. We just take two or three, and I do not believe Prince Edward was one of them.

**Mr Johnson:** No, it was not. I do remember reading through this particular audit.

**Mr Archer:** It is a schedule 1 facility for developmentally handicapped.

**Mr Johnson:** When the auditor does an audit, do you break down and identify money spent on salaries to the different management and staffing levels? I guess I will be specific about one of my concerns. It seems to me that past governments and administrators admit this and yet seem unable to do anything about it, but the fact is that there are more middle management people than are necessary. It would seem to me that if everybody can identify that as a problem, it would appear that it is something that could be gradually changed or improved upon.

**Mr Archer:** We tried to get at that on page 79. We got into staffing and questioned the staffing levels and showed



by comparisons of 1979 to 1989 that staff had gone up or at least stayed the same, whereas the residents had dropped by 50% and that type of thing. We tried to get into some of the questions you have raised, although maybe not always with the same angle that you have on them; but I think if you read that, there will be some information that will be relevant to your concern.

**Mr Johnson:** The practice of ministries, when they are dealing with their budget year, is that there is a time, some time late in the budget year when the message seems to be sent—and I use the facility as an example—that if you do not spend the allotted money of your budget this year, then you will receive less money for your budget or you will not be able to arrange the same amount of budget money next year. Is that a practice that is widespread in the government? I wonder what the auditor thinks of that, that messages are sent out saying: “Hey, we have got a few million extra dollars here that have been budgeted for and we had best spend them, because we do not want it to be perceived that we are not looking after our budget properly.”

**Mr Archer:** I think that is a problem that is chronic to government, not just to agencies that are funded by government, but to government ministries as well. The whole budgeting practice in government is that at the end of the year the money lapses if you have not spent it. If you have any left over, that is nice, I guess, but you do not get to carry that forward; you start from zero again. I guess there is a natural tendency on the part of people who approve budgets to look to see how much you spent last year, and they are a little reluctant to accept explanations: “Well, you were particularly efficient or had due regard for economy last year and therefore you have a little extra to carry over to this year.” They tend to look at it from the standpoint of saying, “Well, we must have given you too much money last year.”

To avoid that type of reaction, there is this tendency: “Well, let’s spend everything we have got so they will think that we at least need as much as we got last year.”

**Mr Johnson:** Is this not a practice that we would all like to see changed?

**Mr Archer:** Yes, it is.

**Mr Johnson:** I have always wanted to see it changed, and my opinion has not changed. I think that, given the number of ministries of the government and given the number of offices of ministries, which all have their budgets, if you multiply the number of dollars that they probably spend frivolously at the end of their budget year, I would think that it would be substantial. In fact, I would think that it would be millions of dollars.

**Mr Archer:** It certainly will be millions; no doubt about that. In the provincial government we are talking billions these days.

It is interesting that you should raise this again. This has been a concern of the standing committee on public accounts since the mid-1970s or the late 1970s, and they requested that we analyse this in detail. For about three or four years running we did an analysis of spending by ministries—just ministries, not agencies—in the month of March as compared to the average throughout the rest of

the year, and certainly what they spent in March was far greater than in any other month. Then we would try to get to see why, and some of it, strangely enough, was justified; payments came due or grants had to be made in February or March and that type of thing.

I think that review, at that time anyway, tended to moderate—not cut out, but moderate—this tendency of spending just for the sake of getting rid of the money. After about four or five years of doing this, the public accounts committee felt that we have done about all we can in that area.

We have not done that type of analysis, I would say, in the last 10 years now. It may well be time to try it again.

**Mr Johnson:** Those individuals who approve budgets, when they look at a budget and if they see that it is increased or reduced from the previous year—I guess reductions would get approval rather quickly; increases would be scrutinized a little more closely—

**Mr Archer:** A reduced budget? I do not know; I have never heard of that term before.

**Mr Johnson:** What is that?

**Mr Archer:** A reduced budget from the previous year.

**Mr Johnson:** Why would they not exist? I can see that if people were trying to streamline their ministry, or if they were trying to be a little more frugal in times of constraint, maybe they could slash their budget somewhat. But the people who approve these, if they see that, then the expectation is that the following year they would have a like budget, I guess, and so one would have to plan their budgets more than within a particular fiscal year, I would think.

**Mr Archer:** Yes, you are looking at the long term. In other words, if you slash the 10% next year and did without a lot of things next year, then the expectation of the people approving budgets would be for the following year that you should not ask for much more than you had last year, forgetting that last year you had a 10% cut.

**Mr Johnson:** It just strikes me that maybe the culprits here are not so much the people managing the budgets and spending the money, but the people who are approving them or the process that approves them and the fear of not being given the same amount or more the following year, not being able to get the budget moneys that they think will be necessary next year as opposed to this year would lend people to spend more.

**Mr Archer:** Yes, there is no doubt about it. I am just sceptical as to whether that can be changed; it is so ingrained in government.

1040

**Ms Poole:** I was looking at the page on developmentally handicapped facilities. I do not believe you have discussed this yet. I was a bit late coming in, so I just wanted to check that. It seems to me that the auditor is finding here that there needs to be a definite improvement in the whole area of facilities for the developmentally handicapped.

**Mr Johnson:** The first comment is at the bottom of page 77: “The ministry did not ensure the funds were well spent by the facilities.” It is an indication there are some shortcomings.



**Ms Poole:** That is just the start. The auditor went into it quite extensively and questioned not only staff levels but the fact that the facilities were not well utilized, that there were empty buildings that could have been directed to other purposes, the fact that there does not appear to be an ongoing monitoring process, that up until in the mid 1980s, I believe it said, they had a peer review but it appears that they are no longer doing that on a regular basis. It might be one area we would like to explore a little more fully.

**Mr O'Connor:** We did not go through it quite as much, but we had mentioned this earlier.

**The Chair:** Ms Poole, your serve.

**Ms Poole:** Since I was not here, I did not know whether you had discussed it and reached any decision whether you wanted to look at it. It is certainly something we can put on the list for consideration at any rate and think about what our priorities will be.

**The Chair:** Just for the benefit of the members who had other activities and were not here when we raised them, we have suggested a couple of topics. One of them was an investigation of the extent and quality of facilities that we have available in this province for treatment of alcoholics and probably drug addicts as well, and maybe looking at the reason there is an attraction to go across the border, what degree of success they have and what programs they have there that might be brought back here.

The second one was to look at the question of bringing our court systems and transmission of evidence into the 21st century, as opposed to where it is now—in the dark ages—by using electronic equipment.

What was the third one?

**Mr Cousens:** Police.

**The Chair:** Police, yes. I have forgotten what we were going to do there.

**Mr Tilson:** Just a general look at the inefficiency.

**The Chair:** Yes, all right. Then there is home care assistance. And you have just raised the one of developmentally handicapped; is that right?

**Ms Poole:** Yes.

**The Chair:** That was actually raised by Mr Johnson. We have also got nursing home services, which we want to look at; that was also mentioned in the auditor's report. Also, ministry facilities for developmentally handicapped are one of the topics we have suggested.

If there are any more topics that members have either now or if they think about them between now and our next meeting the first Thursday in April, by all means let us know. We would like to get to a stage at the next meeting where we can actually set an agenda as to prioritizing these items, so we can then get on with meetings, setting up whatever people we want to interview and so on.

I am told by our research officer that the report dealing with the three school boards that were audited is written, and Mr McLellan is going to confer with the auditor between now and our next meeting.

Interjection.

**The Chair:** The one on the universities is still under way, and we have a legal opinion with reference to the

matter of the jurisdiction of the auditor. Hopefully at our meeting in April we will be able to start writing or at least looking at the report in terms of preparing it. Okay? You look quizzical, Sean.

**Mr Conway:** I was actually struck on that subject. Has the auditor been following the Stanford case in the United States? There is a rather fascinating case in the United States that has attracted very considerable prominence where Stanford University has been singled out by the equivalent of the audit office in Washington, the GAO, as having perpetrated a grand gilt-edged scam against the federal Treasury. It has to do with overhead costs for research. The president of Stanford was before the congressional committee last week being absolutely humiliated and undressed for all kinds of high crimes and misdemeanours on a scope that is just breathtaking.

**Mr Archer:** We have not been following that but we certainly will now.

**Mr Conway:** I have looked at the testimony, and he was being very professional. He was admitting to any number of really quite colourful schemes and scams for diverting federal research dollars.

Interjections.

**Mr Conway:** It has been a very prominent case before the congressional committee. I have rarely seen a situation where a high official of an institution so illustrious as Stanford University was so abject in his admission of what had been going on. Clearly it is the indication from the congressional hearings that Stanford is not an isolated incident, that this is going on system-wide.

**Interjection:** It is the American way.

**Mr Conway:** I wondered. That would be the typical Canadian attitude, I suspect. I just wondered whether our purity would be as proven if we were to—

**Interjection:** Yes.

**The Chair:** How long did those last?

**Ms Haeck:** Just as a point of information, I happened to read an article about this very same issue in the New York Times of last Thursday. I think the scam is something like \$200 million of research that was channelled through the navy. They were doing naval research. It goes into, maybe not as much detail as Mr Conway was alluding to—it is a couple of columns—but it definitely gives you the meat, that there is an awful lot there. It is definitely interesting to conjecture to what degree possibly some of that might be happening here.

**Mr Conway:** I just thought, in light of the hearings here a couple of weeks ago, it was an interesting case. I did not read the piece in the Times, although I have asked the library research to gather the material together. I understood the CBS news report, it had to do with the very-much-talked-of subject of indirect research overhead costs.

**Mr Archer:** Oh yes.

**Mr Conway:** If you have ever heard university presidents or university administrators, it is a standard complaint. Much of the discussion at the congressional hearings focused in on that. I should not use such colourful



language as I did in talking about high crimes and misdemeanours. What really struck me was the admission by the president of Stanford that the violations had been as serious and as widespread, and the dollars. According to the CBS news report—and as I say, the congressional hearings were as brutal as anything I have ever seen—the administration was extremely candid about where the money was intended to have gone and where it actually went. I think the average taxpayer watching that would assume Stanford was clearly not an isolated case.

1050

**The Chair:** Did they actually conduct the full congressional hearings?

**Mr Conway:** The GAO went in and did an audit of it. I do not know whether it was a spot audit—that is why I want to know more about what happened—but they seem to have hit a motherlode.

**Mr Archer:** Most of their audits are generated by requests from members.

**Mr Conway:** At any rate, the congressional committee undertook the matter. I just thought, given that this committee was dealing with it and knowing a little bit about the Ministry of University Affairs, I thought to myself—

**The Chair:** Perhaps we can get something on that and at least bring everybody up to speed. Okay. The auditor said they will pursue and make it available to us.

**Mr Conway:** As a matter of fact, it might be very interesting if through the auditor's office, we could get from the GAO some kind of executive summary as to what they found and what their hearings produced, because again the news clip I saw last week may have misrepresented what actually happened, although the president of Stanford was given a fair bit of time to speak and it was a mea culpa such as I have not heard before.

**The Chair:** Okay. Anything further? Mr O'Connor.

**Mr O'Connor:** In regard to Hansard from this committee, I have received one day's Hansard from our audit of the universities. For myself, I would like to have a full set of them so that when our research comes up with their first draft of a report, they would have something to gauge some of that by.

Another thing too was a question that I had asked, directed to I believe it was Mr Prichard, in regard to the formula used for tuition grants. He was supposed to get back to us on that, I believe, and I have not received anything. Whether someone else has here, I do not know. But for myself, I would like to see a reply to that before we come up with a summary. I think it would be useful.

**Mr McClelland:** I have received documentation from the University of Toronto through the Clerk's office.

**Clerk of the Committee:** That was distributed to members yesterday.

**The Chair:** Yes, that is what I thought.

**Clerk of the Committee:** Maybe you have not seen it or maybe it did not reach your office.

**Mr McClelland:** Okay. Well, I am up at the MOE

Interjections.

**Clerk of the Committee:** It may take a little bit longer.

**The Chair:** You will have to move back here. It is really a delightful building.

**Clerk of the Committee:** As far as Hansard goes, I will be checking with the Hansard office on why it did not go out to you.

**Mr O'Connor:** Okay, thank you.

**The Chair:** Any other comments, as they say in the service clubs, for the good of the club—no, I should not say that—before we adjourn?

The clerk has suggested that maybe we should have the subcommittee meet to go through the things we have just put on the list and prioritize them and so on, but we have a problem in that Mr Charlton is still on the subcommittee. Even though I know we are going to wait until the next meeting, I wonder if we could have perhaps somebody from the government sub in just on a temporary basis. Mrs Haeck.

**Mrs Haeck:** I am just subbing in over here. I cannot do that.

**The Chair:** Sub in for the subcommittee.

**Mr O'Connor:** Why do we not get back to you on that and let you know.

**The Chair:** Maybe you could get back to the clerk.

**Clerk of the Committee:** Or if you can leave it until after our next meeting, whatever.

**The Chair:** Or we can leave it until after the April meeting. But why not see what you can do, and if you can get back to the clerk, maybe something could be set up for the subcommittee to review it so we will at least be able to get on with the agenda in April.

I also want to report, although everybody probably already knows, that the invitation we received from the public accounts authorities in Australia had to be turned down in that the Board of Internal Economy indicated we could not go.

Having said that, there was a koala bear just waiting in a tree there.

In any event, anything further?

**Mr Cousens:** Is there finance to go to the national?

**The Chair:** Oh yes, that was the other thing I should indicate. The public accounts meeting is 11 to 14 August in Winnipeg.

**Mr Bradley:** Why did I get back on the committee again anyway?

**The Chair:** Well.

**Interjection:** Nova Scotia is the year after.

**Mr Bradley:** Great. I love Winnipeg.

**The Chair:** Maybe you would like to make a note of those dates. Hopefully, the Board of Internal Economy will allow us to at least go to our annual convention. I should not have said that. Probably someone will look at that in Hansard.

The committee adjourned at 1056.

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**Vice-Chair:** Poole, Dianne (Eglinton L)

Bradley, James J. (St. Catharines L)

Charlton, Brian A. (Hamilton Mountain NDP)

Conway, Sean G. (Renfrew North L)

Cooper, Mike (Kitchener-Wilmot NDP)

Cousens, W. Donald (Markham PC)

Hayes, Pat (Essex-Kent NDP)

Johnson, Paul R. (Prince Edward-Lennox-South Hastings NDP)

MacKinnon, Ellen (Lambton NDP)

O'Connor, Larry (Durham-York NDP)

Tilson, David (Dufferin-Peel PC)

**Substitution:** Haeck, Christel (St. Catharines-Brock NDP) for Mr Charlton

**Clerk:** Manikel, Tanis

**Staff:** McLellan, Ray, Research Officer, Legislative Research Service













P-10 1991

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ISSN 1180-4327

## Legislative Assembly of Ontario

First Session, 35th Parliament

## Official Report of Debates (Hansard)

Thursday 2 May 1991

Standing committee on  
public accounts

Subcommittee report

## Assemblée législative de l'Ontario

Première session, 35<sup>e</sup> législature

## Journal des débats (Hansard)

Le jeudi 2 mai 1991

Comité permanent  
des comptes publics

Rapport du sous-comité



Chair: Robert V. Callahan  
Clerk: Tannis Manikel

Président : Robert V. Callahan  
Greffier : Tannis Manikel

Published by the Legislative Assembly of Ontario  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 2 May 1991

The committee met at 1024 in room 228.

### SUBCOMMITTEE REPORT

**The Vice-Chair (Ms Poole):** I would like to open up this session of the standing committee on public accounts. The first section of the agenda will be in public and we will then go into closed session for discussion of our university audits report.

First of all, a report of the subcommittee. Ms Haeck, Mr Cousens and myself were all present at the steering committee meeting. Our conclusion for consideration of the full committee was that we would like to look at section 3.13 of the Provincial Auditor's report, which related to OHIP billing and drug and alcohol treatment centres.

Under drug and alcohol treatment centres it was suggested that we look at availability, effectiveness, other treatments that are available, health dollars spent in the United States and models in other jurisdictions. That is something I would like to open up for discussion by committee members: whether you concur with the subcommittee that this is an area you would like to explore. Any comments?

Interjections.

**The Vice-Chair:** Perhaps it would help if the auditor could comment on the section of his report that talked about OHIP billings and the drug and alcohol treatment centres.

**Mr Archer:** Yes. This subject matter was just one aspect of the section 3.13 that was in last year's auditor's report. We had a look at the out-of-province payments that were being made as to the efforts being made to control them and satisfy themselves that the right amounts were being billed and that sort of thing. The ministry had taken a lot of good initiatives in that area. We also got very briefly into the drug and alcohol addiction aspect and we noted that in 1990 the out-of-province treatment of those two addictions accounted for \$20 million of the OHIP expenditure, which was up from a figure of \$7 million in the previous year. So it certainly is a significant jump.

We pointed out that the branch involved with OHIP was concerned that US hospitals were luring patients from Ontario and that selling aspects included paying patients' air fare to and from the US site and limousine service from the airport to the hospital, to and from. It was that type of abuse, if you like, at the time of our audit, that caused the ministry to delay payment on some \$500,000 worth of claims from US hospitals because it thought they had been inflated for one reason or another. Certainly there was a recognition in the ministry that the process was wide open to abuse and they were attempting to come to grips with some of it as best they could. I think that is probably what triggered some of the members in suggesting that this drug

and alcohol treatment centre feature be explored more thoroughly and the reason why it is on the agenda.

For perspective, if we are just dealing with the out-of-province aspect of it, the total amount spent in the 1990 fiscal year for out-of-province health care was \$120 million. Of that, \$20 million was for drug and alcohol addiction treatment. While that number is large, let us bear in mind the total of the Health budget, which is \$15 billion or \$16 billion, out of which \$7 billion or \$8 billion would be for hospital treatment, and maybe \$4 billion or \$5 billion for medical treatment, so we are talking billions on one hand and \$120 million on the other. While effecting economies for drug and alcohol treatment would certainly be beneficial, it is not going to make a major dent in the overall health care expenditure.

**The Vice-Chair:** That gives us some background information to operate under. Does anybody else have a comment about the possibility of the committee's looking at OHIP billings and drug and alcohol treatment centres?

**Mr Cousens:** I move approval.

**The Vice-Chair:** Mr Cousens moves approval of this item.

Motion agreed to.

1030

**The Vice-Chair:** I suppose the other thing that has to be considered is timing. The clerk has prepared a tentative agenda for the month of May, which, as you can see, centres on getting to the draft report stage for our university audits and our school board audits. It is quite possible that these two items themselves would be sufficient to take us to the end of the June session, so we would probably be talking about the next item if we proceed with the OHIP billing and the drug and alcohol treatment centres some time in the summer, whenever the House leaders would allocate us time.

We do have discussion of the committee budget next, and it is probably just as well we discuss that now so we can do it in tandem with the decision that has just been made. If you take a look at the budget you will note that, although travel has been put into the budget for the two conferences in Winnipeg and Montreal, we have heard rumours that there will not be any travel outside the province, so this is obviously still quite tentative.

The second item is that we have not accounted for any travel arrangements within Ontario for committee hearings that might be held on the OHIP billings and the drug and alcohol treatment centres, so that is something to keep in mind.

**Ms Haeck:** Just a quick question. You mentioned about the select committee on education being denied the ability to do the kind of travel that it wanted, but has this



particular committee had a history of doing travel on other issues in other years?

**Clerk of the Committee:** The committee has travelled not too much recently, but a couple of years ago we travelled through Ontario for one week to go to firefighting centres and psychiatric hospitals. We were doing two different studies, and we were able to combine the two, if you like. The day was very different, because you would start off with one in the morning, and have the other in the afternoon, and then reverse it the next day, but we managed.

The committee has put in for a trip to Europe to study how other countries set up this type of accounting system with public accounts committees or a similar structure. That has been denied in the past, and I cannot really think of anything else. I know the committee did travel to Washington and to Ottawa at the start of the last parliament, again to compare how other jurisdictions do their public accounting, and I think members found that quite useful.

**The Vice-Chair:** That was before I went on the committee. I can assure you, any committee I am sitting on will not travel beyond Thunder Bay, Sudbury, Windsor and Ottawa.

**Ms Haack:** Is this a personal preference of yours?

**The Vice-Chair:** No, actually it was quite to the contrary, but it just seems to have always worked out that way. Even the select committee which you mentioned was actually approved by the Board of Internal Economy. It was supposed to go down to the United States for a conference. It got cancelled. I am just used to it. This committee applied to send a steering committee to Australia last year, and that obviously did not go through either.

We are basically talking about travel within Ontario. I do not think right now it is probably going to be approved to travel outside, so I would suggest that we concentrate on that. We might also discuss some possibility of travel in the United States, but I think it would have to be very limited and there would be no certainty that it would be approved by the board. It is just my recommendation that, instead of wasting a lot of time talking about travel to California, New York, Washington and so on, we perhaps concentrate on where best to go in Ontario.

**Mr Bradley:** You would have a hard time getting flights, because the federal members have them all booked.

**The Vice-Chair:** As part of their restraint program.

**Mr Bradley:** I could tell you an interesting story of the 1982 recession and the federal travelling plans. Have you ever noticed that your federal member has two things in his or her constituency newsletter? One is where that person has been and the other is where they are going. "Here I am at the NATO conference representing you. Here I am in South America at the elections. Here I am here." They are like the Strategic Air Command: one third of them is in the air at all times.

**The Vice-Chair:** That being said, where would we like to travel within Ontario, if anywhere? There are certainly several treatment centres in the greater Toronto area that I would suggest would be a good starting place. I

know that in addition to Donwood, there are several others. Ray, do you have any information?

**Mr McLellan:** The Homewood in Guelph. I have prepared research on US clinics as well as Ontario clinics. I do not have that information with me right now. I can certainly get it to members if you would like it. I have contacted OHIP and the 12 or 13 most-used clinics in the United States. A lot of them are located in the northeastern United States, in New Hampshire and New York state.

If the committee does have limited travel, it is possible that you might consider the ones in the northeastern United States and not the ones in the central or southern United States or California, for example, in the far west.

**The Vice-Chair:** For instance, if we were considering going to Buffalo, for one thing nobody could honestly believe that anybody would go to Buffalo for any other reason than business.

**Mr Cousens:** Go for some shopping, too.

**The Vice-Chair:** But secondly it would be very easy to bus members there as opposed to having expensive air fare or going People's Express, whatever. It could be done in a very cost-efficient manner. That may be something we might like to consider as a second option, not necessarily a separate option, but to make our travel in the United States quite reasonable and very cheap.

**Mr O'Connor:** Have we looked to marketing strategies as opposed to how many centres there are in the United States?

**Mrs MacKinnon:** They publish it in our local papers; they publish it like crazy. I have got some statistics that are just terrible.

**Mr Cousens:** Along the way we will identify the top one or two or three that we want to visit that are outside Canada. Keeping in mind the guidance you are suggesting that it be economically within grounds that we could recommend to the Board of Internal Economy, I have to feel that it is the kind of investigation that is going to be warranted once we get into it because of the dollars that are being spent. In fact, who knows, we might come back with some very good lessons for Canadians to improve our system. We might see other things that need to be improved.

If there is anybody equipped to represent the people, it is this committee on public accounts. Maybe we are trying to be too fast on it. It is something that will come through our studies, and we can always go back to the Board of Internal Economy once we have decided it is worth while. I think we would definitely want to see Ontario sites. But the more I see of it, and knowing people are going to the United States, I do not have to go along with it but I would like to go somewhere.

1040

**The Vice-Chair:** I think those comments are well taken. Once we have chosen the sites where we are going to go, particularly outside Ontario, if any, we might want to take a look at some of the other auditor's items and see if there is something there that we can investigate at the same time to make sure we are using taxpayers' dollars wisely and doing the most we can on our trip.



I would suggest that we leave it in the hands of the clerk and Ray, our researcher, to make up a list of the most feasible sites, both within Ontario and in the northeastern United States, and that they prepare a tentative budget with that in mind, and bring it back to us next week. It seems to me rather silly to go ahead and approve a budget that does not have any provision for travel within Ontario at all, because it is obvious that we are not going to be able to just sit in Queen's Park and learn anything on this issue. We have to go out at least to Guelph and to some places in the surrounding area. Shall we leave it at that?

**Clerk of the Committee:** I want clarification on another point, just to make sure everyone agrees on what I have done in the budget. In the past, the public accounts committee has not translated its committee reports into French. There is public accounts committee and, I believe, the standing committee on the Legislative Assembly; some of their reports are not translated. It has been felt that this committee's reports are available to the public, but they have not been utilized by the public, so that was the basis on which the decision was made not to translate them; it was basically an administrative document. The ministries were interested in them, other committees are interested in them, but we do not get the requests from the public. I would just like to canvass the members, if you like, to make sure that is still the feeling of the committee. If so, I will not put any money in for translation. If you feel that it should be translated, I will add that as well.

**The Vice-Chair:** Mr Bradley, I just wonder if you have any comments.

**Mr Bradley:** No, I have no comments.

**Mr Cousens:** Madam Chair, I support that. If there is something that comes along that is of interest to any specialized group for French translation, then I think we can ask for permission to do it, even if it would be outside the budget guidelines.

**Ms Haeck:** I am going to take a slightly divergent opinion here, because I have a feeling that around the issue of the drug treatment centres, you will be having a much broader audience, and while you may not wish to translate the entire document, you may look at wishing to translate an executive summary or doing up highlights or something like that, which could go to interested parties, which would obviously cross this province.

**The Vice-Chair:** Any other comments? One thing we could do is put in the budget without it and then see what the demand was. Ms Haeck's suggestion might be a compromise where it is fairly cost-effective and yet would get the message out. This report may generate more interest in the public than previous reports simply because it has been a very newsworthy topic lately and people are quite concerned about it.

**Ms Haeck:** Can I ask one little question?

**The Vice-Chair:** Certainly.

**Ms Haeck:** On page 2 of the budget, under the catering and hospitality section, I was just going to ask, we have a meals portion on page 1, and then we have catering and hospitality. I can hear a few people in my area asking

questions about that kind of item and what they might see as duplication. Could you give us some clarification on the items on page 2?

**The Vice-Chair:** The meal per diem on the first page refers to the meal allowance that is given to members when they are serving on committee. On the second page, and the clerk can feel free to correct me if I am wrong, that refers to things like simply serving tea and coffee for all the committee hearings and that type of thing. Hospitality would refer to what?

**Clerk of the Committee:** In the past we have had a number of occasions where we have hosted meals, particularly for other visiting delegations, so I have left some money in for that. It could also be that if we went to another jurisdiction we might want to take some sort of present, and it is to cover that type of thing. This committee is a little bit different in that we are meeting with our counterparts in other places, and while you probably would not do this on public hearings—it is done rarely on public hearings—in this type of committee it might be appropriate to host a meal site for another delegation.

**The Vice-Chair:** Or for instance, if we were to have a delegation going to the Winnipeg conference it might be possible that we have, for one evening, a hospitality suite, and just invited people in for hors-d'oeuvres. This money may well never be used. When you do budgets it is always wise to look at what might be incurred, not necessarily what will be incurred, and the way the system works, if there is money left over in the budget it does not get transferred to another fiscal year. You cannot use it in any way other than the purposes that we put it down for, so it is not committing the Legislative Assembly to anything.

The other thing about the catering, if you had questions from your constituents: It is taking from one hand and giving to the other, because the Legislative Assembly runs the catering, so the Legislative Assembly pays \$2,000 for catering to the Legislative Assembly. So I am not really sure that there is a lot of money changing hands for tea and coffee.

**Ms Haeck:** I think most people appreciate having some tea and coffee available, whereas I know there are usually some queries if you are doing heavy-duty entertaining. Just to be clear that for the most part we are looking at coffee and tea for people coming to witness these hearings.

**The Vice-Chair:** I can assure you there is no caviar or shrimp on this committee, or anything other than tea or coffee.

**Clerk of the Committee:** Sometimes not even tea.

**The Vice-Chair:** Sometimes not even tea.

**Ms Haeck:** That is right, you could not even find a tea bag.

**The Vice-Chair:** I am willing to chip in 10 cents a time for my tea bags. I did not think it was that frivolous.

Any other comments about the document? With a view to Ms Haeck's comments about the cost of preparing a translation—I am sorry. Mr Johnson?



**Mr Johnson:** I was just wondering what a typical budget would cost. What have the total budgets for the standing committee on public accounts been in the past, do you know that?

**Clerk of the Committee:** I would not have the figures offhand. This is fairly typical, though. Last year I think we put in for approximately the same thing. The trip for the conference of public accounts committees was to Newfoundland, so the air fare was a little bit higher. The Canadian Comprehensive Audit Foundation conference was in Ottawa, so the air fare there was a little bit less, so it basically balanced out. I do not believe we put anything in for travel, because at that time we were preparing the budget. We were anticipating the election and not meeting in the summer. As it turned out, of course, with the election being called, this much was not used, or most of it.

**The Vice-Chair:** I would point out that again, when you are deciding what to put in, for instance Tannis has put that we would be sitting for 17 days in the summer of 1991. It is just my experience that it is unlikely the House leaders are going to give us four weeks of hearing time just because there will be such a competition among committees to get hearing time, so we may only use half of that. We do not know what the House leaders will give us, so we have to go on the assumption of what the maximum would be. If we do not sit for 17 days, we do not use the money and it remains with the Legislative Assembly.

**Mr Johnson:** If I may, there is a discrepancy here, and that is the fact that the meal per diem is 17 days and the meeting per diem is 15. Is that—

**Clerk of the Committee:** Okay, if I can explain that. The meeting per diem is the number of days that we meet. There are two things with travel per diem. Assuming we all go to the conference in Winnipeg, members will be able to claim part of that as travel. It comes out of the same pot, and it is the same amount, but you claim it under two different things. If you are going someplace and you are not attending a meeting, the day you travel is put in as a travel day, so you get travel per diem. On days when we hold meetings, it is a meeting per diem. Those are the two different things. You can claim meal allowance, meal per diem, on both of those days under either type. If you add them together, it comes out to 17.

**Mr Johnson:** I understand.

**Mr Cousens:** You will not ask that after being here another couple of years. That is something you learn quickly.

**Mr Johnson:** And so have I.

**The Vice-Chair:** Any other comments? I think other than perhaps taking a look at Ms Haeck's point about whether we could translate an executive summary—it would not be very costly to do a four- or five-page summary.

**Clerk of the Committee:** Maybe in that case I can put in a couple of thousand dollars for translation, which, even if we decided to translate the full report, depending on its size, would probably cover us. We would have it there if we decided to translate that or any other document.

**Mr Johnson:** Do you get a pat on the back if you present a budget and you are under your budget by several thousand dollars?

**Clerk of the Committee:** No.

**The Vice-Chair:** Maybe that is something that the public accounts committee would recommend, that they have prizes, recognition day, where they give out awards in the Legislature for the most—

**Mr Johnson:** Have a big award banquet and spend all the money that is left. Yes, it is a great idea.

**The Vice-Chair:** Well, no. I do not think they have banquets in the Legislature. I was thinking more of just handing us out a little certificate, photocopied on both sides for recycling purposes, acknowledging that we did our very best to spend the taxpayers' money wisely.

If there are no other changes recommended to the budget, then we will ask Tannis to come back next week with the tentative plans for travel both within and without Ontario. Probably logistically, if we are taking it to the Board of Internal Economy, it may be best to separate travel within Ontario from travel to the United States, just so that if it does get removed it does not create a lot of problems. But other than that and the translation, those are the only two things.

Okay, then we will leave this till next week, and unless there are any other comments we will go in camera.

The committee continued in camera at 1053.

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**Staff:** McLellan, Ray, Research Officer, Legislative Research Service







P-11 1991

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## Legislative Assembly of Ontario

First Session, 35th Parliament

## Official Report of Debates (Hansard)

Thursday 9 May 1991

### Standing committee on public accounts

Deputy ministers' expenses  
Committee budget

## Assemblée législative de l'Ontario

Première session, 35<sup>e</sup> législature

## Journal des débats (Hansard)

Le jeudi 9 mai 1991

### Comité permanent des comptes publics

Dépenses des sous-ministres  
Budget de comité



Chair: Robert V. Callahan  
Clerk: Tannis Manikel

Président : Robert V. Callahan  
Greffier : Tannis Manikel





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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 9 May 1991

The committee met at 1009 in room 228.

### DEPUTY MINISTERS' EXPENSES

**The Chair:** You have your agenda before you and we have the motion by Mr Tilson, which we will deal with first and then the discussion of the committee budget. Then we will go into closed session, if time permits, to draft reports. Mr Tilson.

**Mr Tilson:** I put the committee on notice several weeks ago that I wished to put this motion forward.

**The Chair:** Mr Tilson moves that the Provincial Auditor immediately conduct an audit of the expense accounts of all deputy ministers and report to the committee on the guidelines that deputy ministers are required to follow with respect to the use of their expense accounts.

The audit will also show the actual amount that each deputy minister is granted for the purpose of expenses and will include any suggestions the Provincial Auditor might have which might be implemented to improve the accountability of the use of these expense accounts.

**Mr Tilson:** This motion has been made by myself as a result of a question that I raised in the House in December involving the former Deputy Minister of Culture and Communications, on information that had been made available to us. I think at that time the auditor had expressed, in so many words at least, that the accounts had been proper, presumably pursuant to the guidelines that were set forward.

With the information that was available, it appeared to me at least that those guidelines could be questioned. In other words, how much leeway do deputy ministers have with respect to their expense accounts? That is the intent of the motion.

That one finding—and there may be others—gave me concern. Because of that one finding, I believe that all deputy ministers' expense accounts should be looked at. I would also like to hear from the auditor as to what his staff and he think as to how we can improve the accountability of the use of these expense accounts by deputy ministers.

**The Chair:** Ms Poole and then Mr Cousens. Let's not play favourites.

**Mr Cousens:** She's prettier.

**The Chair:** That is true.

**Ms Poole:** Thank you, Mr Chair. You take accolades in this business however you can get them. If it is being called pretty in comparison to Mr Cousens, hey, I will take it.

**Mr Tilson:** Is that what the morning is going to be like?

**Ms Poole:** That is what the morning is going to be like.

I will support the intent of the motion that Mr Tilson has put forward. Certainly expense accounts, not only for deputy ministers but for various officials within the government, are something that should be under close scrutiny to make sure that they are as efficiently conducted as possible. I

guess the only thing that I have some concern about is the motivation.

If this is simply a statement made and explored to try to embarrass the previous Liberal government or the current NDP government, then I have a problem with it in that the standing committee on public accounts has always been non-partisan. I am wondering, in that regard, why just deputy ministers were isolated and not other groups which certainly I think there is some value in exploring.

On the face of it, deputy ministers are paid a fairly generous salary, I think probably double or triple that of many MPPs in this room right now. If we are getting good value for our money, that is fine. Their expense accounts should be questioned and the guidelines that are available should also be under scrutiny.

I would just caution that we as a public accounts committee in the past have been as non-partisan as possible within the limitations we have in this Legislature. Nothing in this Legislature is ever truly non-partisan, but this committee probably comes as close as one—

**The Chair:** Lunch is.

**Ms Poole:** Lunch and coffee breaks are non-partisan. Other than that, I am afraid we fail miserably at being non-partisan. But if Mr Tilson is making this motion in the spirit in which I hope he is making it, that we truly want accountability at all levels of government, I will certainly strongly support him in that endeavour. I just have that one caution, that I hope members will try to look at this in a very objective light and say, "How can we improve the system and make it better?" not "How can we try to embarrass other parties about what has been done in the past or what is being done?" Let's look to the future and make sure what will be done is the best thing for the taxpayers of this province.

**Ms Haeck:** I want to ask a question of the auditor. At this point, to what degree are those officials mentioned by Ms Poole, or specifically the deputy ministers as outlined by Mr Tilson, regularly audited, and what recommendation would you make for regularity in the future to sort of keep a handle on those kinds of expense accounts?

**Mr Archer:** Well do not audit them every year. We audit them, like just about everything else within the government, on a cyclical basis every five or six years. We did what we call a cross-ministry audit of travel expenses a couple of years ago, picked about 10 or 12 of the major ministries and audited the travel of all people right up through even the ministers, and reported on it in, I guess, our 1989 auditor's report.

So, unless the committee feels otherwise, that would be the procedure we would follow. We thought we would not do another cross-ministry audit of travel for another couple of years.



**The Chair:** That information, too, would be available through estimates, would it not?

**Mr Archer:** The total amount of money that is spent by each deputy for travel is reported in the public accounts. There is no mystery as to how much they have spent. I think the tentative motion is to get behind what are they spending it on and is it all necessary.

**The Chair:** I figure it should all be plugged into a computer. When it hits a certain number, bells should go off and then we could audit.

**Ms Haeck:** My question was not just about travel, but definitely, as Mr Tilson has outlined, the total range of expenses. What you are basically saying is that you do them every five or six years and the most recent one you focused in on was related to travel expenses.

**Mr Archer:** Right. Yes. Other than their salary, that is about the extent of additional expenses that the deputies incur.

**Ms Haeck:** So, without direction from this committee, you would not be looking more closely at how they are spending, not only the expenses related to their departments?

**Mr Archer:** I think you seem to be putting a broader definition on deputy ministers' expenses. In the expenses of running his office, for example? Like staff that he has and so on?

**Ms Haeck:** Yes.

**Mr Archer:** Again, when we audit the payroll, for example, we would include the staff of the deputy minister's office, but we do not zero in on the deputy minister's office and all the expenses that are incurred by that office and do an audit of that per se.

**Ms Haeck:** Okay. I think that pretty much answers my question.

**Ms Poole:** Just a point of clarification from Mr Tilson. When you were talking about expenses in the second paragraph, were you referring only to expense accounts or were you taking in the broader sense that Ms Haeck has, that it would include expenses of the office itself?

**Mr Tilson:** The purpose of the motion is to deal specifically with deputy ministers, and I suppose that could be expanded to include the offices of the deputy ministers, and if a deputy minister has certain staff, they may have expense accounts as well. In other words, anything to do with the deputy ministers.

More important, the guidelines—whatever guidelines there are; I do not even know if there are any—may have been met. I would certainly like to hear the comments from the auditor as to whether the guidelines that exist, if there are such guidelines, are sufficient to provide the accountability he feels is necessary of each deputy minister and his or her staff.

1020

**Mr Archer:** I guess I was going basically by the tone of the debates that you referred to earlier. I thought you were zeroing in on the travel expenses of the deputy himself, as opposed to the expenses of the deputy minister's office.

**Mr Tilson:** Yes, that obviously is what caused me to get on this whole subject, that issue, that it has been raised in the House. That is what got me on the whole issue. But I am interested, as I would imagine we all are, in the expense accounts of deputy ministers. What are they? Second, can the use of these expense accounts be improved? So it is really twofold. You are quite right. It goes to travel, it could go to lunch, it could go to entertainment expenses, it could be all kinds of expenses, not just travel. It could go beyond travel.

**Mr Archer:** All that type of expense, lunch and entertainment, is recorded in the public accounts under that whole heading.

**Mr Tilson:** I am quite aware of that.

**Mr Archer:** But these other expenses, such as the number of staff he has and the travel they do and renovations to his office and things of that nature, considerably enlarge the project, if that is what you have in mind.

**Mr Tilson:** I am interested in all of that. I would like to know what rights the Legislature is giving deputy ministers, either themselves personally or their staff or, yes, the whole wide range as to what rights they have to spend government money—all that.

**Ms Haeck:** I think Mr Cousens had a comment to make.

**Mr Cousens:** I was testing the Chairman.

**The Chair:** Actually, the clerk and I were just looking at the motion, and you have enlarged it a great deal, so we would really have to take out of there the word "accounts." It should just be "expenses." It should be just "an audit of the expenses of all deputy ministers," because you are really looking for a lot more than just whether they—

**Mr Tilson:** My definition of expense accounts means that if the deputy minister wants to purchase art work for his or her office, that is an expense. Maybe my definition and your definition are two different things.

**The Chair:** What if he wants to refurbish his office with furniture?

**Mr Tilson:** I assume that is the same thing. That is my definition.

**Mr Archer:** What you are getting at are the expenses incurred by the deputy minister's office, including those of the deputy and any employee therein.

**Mr Tilson:** Yes. I mean, are we going to give them a car? I do not know what we are going to give them. I would like to know what rights the deputy minister has to spend government moneys, other than obviously operating the specific ministry, but there is obviously a distinction where that ends. Sure, refurbishing an office, I think that is an expense. You are right, Mr Chairman, I quite agree that that goes beyond lunch.

**The Chair:** I am just trying to clarify it so that if this is passed, we give specific instruction to the auditor so that he knows exactly the parameters.

**Mr Tilson:** If we are going beyond what you would call his lunch expense or some sort of travel expense, I would like to go into the other areas that you have been referring to.



**Mr Cousens:** You are on the question I was wanting to target in the first place, Mr Chairman, and it has to do with the discretionary spending of deputy ministers. I had not originally thought it would include the things Mr Tilson is now suggesting, but I do not think it hurts, especially after the comments a couple of days ago of someone who is not a deputy minister who has nine TV sets in his office. There are certain things that open up one's thinking about what is going on there. If you have that option to do something, I think we, as legislators, want to make sure we are aware of it and, if we have the power to do it, that there are checks and balances in place for it.

The one thing I had in the back of my mind is also where in companies now it is quite a thing if you cheat on expenses. I mean, you are dismissed without too much question. There are a number of people I know in business where they had duplicate bills, one was on a Visa card and the other was a restaurant receipt for the same meal. They submitted it and that same—

**The Chair:** They put you in jail for that kind of stuff.

**Mr Cousens:** In a company you are fired. What happens as well in companies that I have been involved with, they are monitoring very carefully. If you are the senior person and you have your people with you, how often are they buying lunch for you? It is one way in which you escape responsibility for it yourself, so you sort of assign it to someone who is working for you and then he is picking up your meal.

The other thing that really should be part of it is the people who are at the event. I was just looking at the meal side of things, because that is really one of the costs. If you are taking a group of people, then you should identify all the people who are with you and their positions, unless you are buying a dinner for 200 people. But Tories do not do that any more; we do not have that many friends.

**Ms Poole:** You try to find 200 people who want to come to dinner with you, even if it is free.

**Mr Cousens:** I remember the halcyon days when it happened. But okay, I think there has to be some kind of—

**The Chair:** Are you taking over the Sam Cureatz role or what?

**Mr Cousens:** Well, I have been there too. I think there has to be some kind of delineation of who is involved in these events, and that is the kind of thing I saw the auditor looking into, because you cannot just look at the deputy minister without looking at the levels around that person.

I think you really have to look at the discretionary spending of that office, where it is outside of the ministry but it is social, and some of those other parts of the things that are now coming up to this issue as to where discretion is being used and what controls or limits are on.

**Mr Archer:** I just point out that your initial example, which has been recently in the press, of the TV sets, that individual would not fall under the deputy minister.

**Mr Cousens:** I know that.

**The Chair:** He would not fall under the definition of a deputy minister. Can we not deem anybody with nine television sets to be a deputy minister?

**Mr Archer:** Maybe this is a good time to raise the question as to how extensive or how literal this motion should be taken. Do you want all deputy ministers? There are 35 of them. There are also about 10 people who do not have the term "deputy" in their title but they have deputy minister status. Normally when we do an audit of this type, we would select maybe 10 or 15 of the major cost centres, if you like, and audit those, rather than try to do every one.

**Mr Tilson:** Mr Chair, I am not on a witchhunt. I am simply trying to determine what the rules are, or whether there are any. It has been suggested that I amend the motion as a result of discussions we have had, and I am prepared to do that. There may be other suggestions. I have put down the words "all deputy ministers." Again, I emphasize that the intent of the motion is to find out exactly what the rules are, and yes, it includes beyond lunch. It includes paintings in offices and whether a chair is made of leather or simple cloth, the furnishings in an office. It includes all of those things. If it is too expensive to look at all deputy ministers at this time, on your recommendation, if you would like to make it selective, that is fine too. My real emphasis is, what are the rules and how can they be improved?

1030

**Ms Haeck:** If we are concerned about the kinds of employment contracts the universities are undertaking with their presidents, I think we have to look at what the government has been doing generally and will be doing in future as far as contracts with the senior administrators are concerned. I think that has to be fairly clear, and I am quite concerned as well as to what kind of perks may be coming with certain offices that are far above and beyond what most people would understand those offices to warrant.

**The Chair:** You have heard what Ms Haeck has added to this. Do you feel comfortable?

**Mr Archer:** We will audit whatever the committee decides. Ms Haeck has now extended it to the salaries and the contracts under which the deputies operate, and certainly we can include that.

**Mr Tilson:** Mr Chairman on a point of order: My motion does not go into salaries. My motion does not go into perks; and if we appear to be getting into the word "perks," then I will go back to my original wording. I am trying to limit it to what are the rules regarding deputy ministers' expense accounts; it is as simple as that. If, at another time, we want to get into other things, that is fine, but this specific motion is on that subject and that subject alone. Perhaps another time we could get into these other areas, but the word "perks" is something else and goes beyond the issue of expenses.

**Mr Archer:** Earlier in your remarks you asked whether they get cars. That is a perk deputies do get, but you are not interested in exploring that area.

**Mr Tilson:** I guess the question is whether that is defined as an expense. I suggested that an amendment I would consider is deleting the word "accounts" and replacing it with "expenses," and deleting the words in the first paragraph, last line, "expense accounts," and replacing them



with “these expenditures.” I do not want this to be a broad definition. Again, are expenses of deputy ministers reasonable, based on existing guidelines, and can those guidelines be improved? Now if the wording of that is too ambiguous, then fine, but I do not wish to get into salaries or contracts. Each deputy minister could have a different contract, and I do not want to get into that. That is a different subject. Perhaps at another time it would be appropriate to do that.

**The Chair:** Mr Johnson has been eagerly and patiently waiting.

**Mr Johnson:** Thank you, Mr Chair. I thought long and hard about this motion of Mr Tilson’s before I came here, and I thought it was a good motion and that there was a purpose in that motion. I would agree with what Mr Tilson said now as well. If the auditor were to audit the expense accounts of the deputy ministers, as is indicated in the original motion here, would that not flag deputy ministers who may have some shortcomings in how they have used their expense accounts? At that point, we could go beyond the expense account and maybe do a more comprehensive audit of that particular deputy minister and his office. That is how I interpreted this function.

**Mr Tilson:** If we leave the wording as is, we leave the words “expense account.” Now let us take the example of a car. You buy a deputy minister a car. I hope they do not, but let us say we have bought one. Would your audit reveal that, if I left in the words “expense accounts”? Let us say we find something outrageous. We buy the deputy minister an expensive car. Would your audit, with that wording, reveal that?

**Mr Archer:** It may, because the lease cost of that car would be going through the office.

**Mr Johnson:** Gas receipts will not reveal it.

**Mr Tilson:** This is not a budget debate.

**Mr Archer:** I think we would pick that up because the cost of the lease of that car, for example, would be going through the ministry as an expense of the ministry.

**Mr Tilson:** Would the cost of the purchase of the car be revealed?

**Mr Archer:** Oh yes, sure.

**Mr Tilson:** If that is the case, then I have no problem with my original wording of the motion.

**Mr Archer:** So I gather the only thing you want to exclude is the deputy minister’s salary.

**Mr Tilson:** I am not interested in that.

**The Chair:** I guess as long as the auditor knows what we are dealing with. Ms Poole and then Mr Hayes.

**Ms Poole:** I was on around the time Mr Cousens spoke, but I kind of got forgotten about. That is what happens when you are five feet tall. They tend to forget about you over here.

As far as the wording of the motion, I personally would be a little happier with the revised wordings, simply because I do not think “expense accounts” would be comprehensive enough. That being said, I also do not want the auditor to be put in a position where the balance of the year he does nothing but spend his time at every deputy

minister’s office looking at salaries, expenses, office expenses, expense accounts. I think we have to have a balance here. I would think if we put “conduct an audit of the expenses of”—and then take out “all”—“deputy ministers,” that would allow the auditor some leeway as to which ones would be chosen.

Obviously, if you look at the perspective of the Deputy Minister of Health as opposed to, say, the Deputy Minister for the Anti-Drug Secretariat, their needs are going to be vastly different. They are administering a huge budget in the case of health and they have obviously a need for more staff and greater expenses. I do not think we should get into this as treating all deputy ministers equally. I think the auditor can take a superficial analysis of what the various deputy ministers are costing and then make an informed choice as to which ones would be best for the purposes of establishing whether there are guidelines and whether they are adhering to the guidelines. But I think it would be good to make it a little broader and say “expenses,” which would then give the auditor leeway to look at office expenses that may be out of line.

If there is a Monet painting in the office and this is caught not on an expense account but as an office expense, I would like the auditor to have the flexibility of taking a look at it. If we leave “expenses” in there on its own, that gives him that flexibility. We could also, as a committee, give the auditor directions as to what our—Mr Tilson stated what his intent is, which I think will be very helpful to the auditor, but to give him some discretion, how far he goes depending on whether he sees anything there. If there is nothing untoward about office expenses and they seem to be run-of-the-mill office expenses, why would he spend many hours and weeks investigating it?

My recommendation would be that we do amend Mr Tilson’s original motion, that is, if he is willing to do that, to take out “accounts” and take out “all” and then give the auditor directions as to what our preference is.

**The Chair:** We seem to be sort of dealing in semantics here. I think we all know what we want, but if you want to continue on, we have other things to do. I will go to Mr Cousens, Mr Hayes and then Mr O’Connor.

**Mr Cousens:** I will defer.

**Mr Hayes:** Thank you, Don. Actually, pretty well everything has been said. I got caught out of turn here, but it is okay, Bob.

I do not really see too much wrong with this motion, even the way it is, except for the part about “all deputy ministers,” and I do not know how you can do that. We probably should leave it up to the auditor, either at random or whatever way he so chooses to do, to pick 10 or whatever. I think the bottom line here is that this motion on the last line, “to improve the accountability of the use of these expenses.” I think that is the really important wording in there.

Like I mentioned earlier, I hope and I do think it is not a witchhunt, but I think we should know exactly where the money is being spent and how it is being spent. I will reiterate the word “accountability,” and I think that is most important. I think these things really should be disclosed. We might find out that in some cases we are getting one



heck of a good deal, and in other cases there may be some waste there. I think we should really know that, and if that is what is found, then I hope we take the appropriate action. I think the bottom line is that we are saying we want the expense accounts of deputy ministers audited and a report back to this committee. At the same time, I also think the auditor should have some flexibility in doing that. Maybe he would want to come back with suggestions telling us exactly what he feels should be done so it will fulfil the message in this resolution.

1040

**Mr O'Connor:** All I wanted to add was that we do not want to limit what the auditor is going to be allowed to look at. So maybe the word "accounts" should come out of there, as he suggested earlier. I think we have talked about everything we need to talk about with this. I just wanted to make sure we do not limit the auditor here.

**The Chair:** Okay. Mr Tilson, we have an amendment, I think.

**Mr Tilson:** I agree with the amendments proposed by the members that in the second line the word "expense" be changed to "expenses." Maybe I will just read it as amended.

**The Chair:** Actually, we do have a motion by Ms Poole that the motion be amended by deleting the words "expense accounts" in lines 2, 5 and 12 and replacing them with the word "expenses" and deleting the word "all" in line 3. That is with reference to the deputy ministers. It is your motion, so I think you should really have the opportunity to do that.

**Mr Tilson:** Yes, I would like to do that. I will read the motion as I am suggesting with the amendments of the proposals of the various members.

"That the Provincial Auditor immediately conduct an audit of the expenses of deputy ministers and report to the committee on the guidelines that deputy ministers are required to follow with respect to the use of these expenditures."

The second paragraph is as was read previously.

**The Chair:** Okay. Any further discussion or are we ready to vote?

**Ms Poole:** I have just one question for the auditor. There are words in there—"immediately conduct." Is this problematic for you if you already are in the midst of an audit? I would just give the auditor that leeway, that he complete whatever project he is on right now.

**Mr Archer:** I think we can start almost immediately, because we have had, in essence, two weeks' notice that this has been coming. So that is no problem for us, the wording.

**Ms Poole:** Good.

**Mr Johnson:** With regard to conducting audits of expense accounts, that is a finite thing, an expense account as opposed to a broader—

**The Chair:** We have taken that up by the amendment.

**Mr Johnson:** Yes, I realize that, but how long would it take the auditor to do an audit of an expense account? It

would vary from ministry to ministry, I would think, because there are differences, I suppose, between ministries. In the original motion I thought it was most interesting and I thought if an expense account were audited and if they were all done, then certain deputy ministers, I guess, would be flagged if there were some irregularities in how their expense accounts were audited. Then there could be a further, more comprehensive audit of that deputy minister's office. I know that the motion has been changed and amended, but I was just curious to know how long it would take to do an audit of an expense account.

**Mr Archer:** Just dealing with expense account defined as "travel expenses incurred by the deputy," it would be relatively straightforward and would not be too lengthy a task. However, an audit of the expenses incurred by the deputy minister's office is a much broader issue. At this point, having never done an audit on that specific subject—directly, at any rate, on that specific subject—I could not give you an average time that it would take. It would depend on how large a staff he had and the extent of expenses incurred for his office recently. If the committee is interested in knowing when we might be finishing this, I think we would have to give you a status report after we had done one or two. We may choose to do 10 and we could give you an idea of when we would finished the 10 and report back.

**The Chair:** I wonder if Mr Johnson's concern, with the concurrence of the committee, might be met by asking the auditor to report first on expense accounts for our benefit, to be followed up by this.

**Mr Tilson:** We have amended by taking out the word "all," and I can tell you that if the auditor comes back with some shocking news, I would be immediately making a motion that all deputy ministers be looked at. I put the committee on notice of that, in fact.

**Mr Johnson:** That is the point, because if all expense accounts were audited, we would have an idea of all of the deputy ministers. But what we have done now is we have given the auditor the right to choose some and audit them, and I do not know if that will reflect on—although we know this is not a witchhunt; it is just an accountability function.

**The Chair:** Are you seeking to amend the motion as it is? If you are looking for a much more immediate type of information coming back, the auditor could certainly be directed to bring that back to us as quickly as possible as part of the total audit.

**Mr Johnson:** If it were not time-consuming and if it is a relatively simple exercise to do an expense account audit of all the deputy ministers—if the time for one is very short, then I would suspect that for 35 it will be 35 times that short time, and maybe it would not take that long.

**Mr Archer:** You seem to be drawing a correlation between the individual travel expenses of a deputy and the expenses of his office, and I do not know if there is necessarily any correlation.

**Mr Johnson:** No, I am not. I thought the intention of this was that if expense accounts were audited and there were irregularities in a particular deputy minister's accounting,



then maybe we would want a more comprehensive audit of that particular office to see if it was a glitch in that expense account or if there were some more serious problems.

**The Chair:** Are you saying that people's tastes show up in their expense accounts?

**Mr Johnson:** It depends on how you interpret what is in their expense account, I guess.

**Mr Archer:** As I interpret your remarks, instead of leaving the selection, say, of 10 or 12 ministries to our discretion, we first of all audit the direct travel expenses of all 35, and select our sample from detected irregularities in that phase of the audit.

**Mr Johnson:** That is what I am suggesting. I do not know if that is feasible or if it is something the auditor finds he would even like to do.

**Mr Archer:** Based on our last audit of deputy ministers' expenses, which covered the year 1988, I do not expect we are going to find a lot of glaring irregularities. I think it is going to be more a lack of precise definition of just what deputy ministers can incur. It is left pretty much up to their judgement.

**Mr Cousens:** Can we call the question?

**The Chair:** Any further discussion? That is not an invitation.

Mr Tilson, we are not certain whether you can amend your own motion.

**Mr Tilson:** I do not care who amends it.

**The Chair:** Ms Poole moves that the motion be amended by deleting the words "expense accounts" in lines 2, 5 and 12 and replacing them with the word "expenses," and deleting the word "all" in line 3.

**Mr Johnson:** I have a problem with that. To just change "these expense accounts" to "expenses" in the last sentence I do not think makes sense; "these expenditures" would make sense.

1050

**Mr Tilson:** That is what I originally said.

**The Chair:** All right, so it would be with the word "expenditures."

**Ms Poole:** Can I make the amendment?

**The Chair:** Sure.

**Ms Poole:** I will either accept Mr Hayes's amendment or make a friendly amendment to my amendment, whatever the Chair suggests.

**The Chair:** A friendly amendment.

**Ms Poole:** Okay. Amend the amendment to "expenditures."

**The Chair:** Shall the amendment carry? Carried. Okay. We will move on to the next item—

**Clerk of the Committee:** We have Mr Tilson's motion.

**The Chair:** Oh yes. I am sorry. Shall Mr Tilson's motion, as amended, carry?

Motion agreed to.

## COMMITTEE BUDGET

**The Chair:** The next item in open session will be discussion of the committee budget. You have before you a number of things that hopefully you will have had a chance to peruse because they will have some bearing on the budget: a list of the Ontario treatment facilities—which is amazing; I did not realize there were that many—and also the US treatment centres most commonly visited. You have before you a possible scenario of travel to those places. And in your budget, you have an additional item that has been added for ground transportation, and that is because we will probably, hopefully be looking at some of the facilities here within the Ontario arena and perhaps even receiving some briefing on what these facilities entail.

The only other change was that we added translation at \$2,000. Other than that, the budget is basically the same as it was before.

The clerk tells me the suggested travel to the US has not been included in the budget, and what she needs to know is which of the items that have been placed before you is most desirable. You have two of them. You have possible agenda 1 and possible agenda 2.

**Mr Johnson:** In number one you only have to fly once.

**The Chair:** Mr Johnson does not like to fly. Maybe the clerk could explain how she arrived at these.

**Clerk of the Committee:** If you look at the other sheet that I put out, which starts off, "Ontario treatment facilities," the last page of that has the most commonly visited centres in the United States. Basically I took this list, put it out on the map to figure out where their closest major centre was, and then, just figuring that at most we would only have a week to travel in the US looking at these treatment centres, I just sort of mapped out a route that I thought would be possible for the committee, and I came up with these two different agendas. As far as I know, I have not got the information to decide which of these centres would be better for the committee to visit. I do not have any criteria to base it on, so this is a very arbitrary decision based on distance.

**Mr O'Connor:** Could I be given maybe some idea of numbers of patients receiving treatment in facilities in the United States? I notice one here where you have got "adolescent treatment." Maybe we could have a breakdown on the differences between the adolescent services over there and adult services, so that maybe when we make a decision we base it on that as well, so we can include that. That is something we should be looking at and if we have a deficiency here, then that is something we should be using as we make our decision, as part of the basis.

**Clerk of the Committee:** So what you are asking is, the number of people from Ontario who visit these centres, and broken down into adult and adolescent.

**Mr O'Connor:** Just so that we can maybe make that value judgement, as opposed to just making it on whether we are going to fly or drive to the actual treatment centre, because I think that would be important.

**Clerk of the Committee:** We would have to get that information from the minister and see if it is, in fact, what they have in the statistics.

**The Chair:** Mr McLellan has some of it.

**Mr McLellan:** I will just comment. I think I had mentioned at one point when we started to talk about this subject that I contacted OHIP—on the instruction of the ministry to speak to OHIP directly—and asked them the 12 or 15 or 18 most popular and most frequented clinics in the US. They came back with that list of 12, I believe it was. I just showed it to the Chairman. I think what you are asking now is whether we can rank the most popular within those dozen so that we are getting those clinics that Ontario people visit the most. We might whittle it down from 12 to perhaps five or six or four, and then break it down on an adult and adolescent basis as well.

**Mr O'Connor:** Yes. What I would like to see is if there is a large portion of adolescents being treated abroad, then will you make sure that we do not exclude that, just on the criteria of what we have got set out as two possible agendas. Actually I am quite interested in taking a look at that because I think that would be quite useful. Then, if we do include the study of the Bowling Green Adolescent Center in New Jersey, we should look at something in Ontario that is comparable, so we have something to compare it to. It would not make much sense to go and take a look at that facility and then come back and not look at a facility that is trying to treat the same people, or has a possibility of treating the same clients.

**Mr Tilson:** Or we look at a facility that we should have in Ontario.

**Mr O'Connor:** Right, for sure.

**Ms Poole:** Do we have any idea of how many Ontario residents go to these facilities?

**The Chair:** Some of the places were able to give a research officer that information and we will be making that available.

**Clerk of the Committee:** At present we do not have any specific numbers.

**The Chair:** We have dollar values.

**Clerk of the Committee:** No, those are dollar values that we posited there.

**The Chair:** Okay, we do not then.

**Ms Poole:** I just wondered if that would be helpful, if we would be going to facilities that do treat a lot of Ontario clients and patients, and whether they would perhaps be more informed about what is happening because of that, whether that could influence which ones we go to.

**The Chair:** I am not so sure that would necessarily be representative of who has had the most success with Ontario residents or if it would be more representative of who was able to solicit people more successfully. As you know, there was a group in Toronto that was set up to encourage people to go down there. So dollars will not necessarily mean anything. I think what degree of success they have with patients is the real key.

**Ms Poole:** Which may be difficult to analyse.

**Mr McLellan:** We do have that. We do have the success rate for the US clinics. The profile we have on them right now lists, in addition to the location: addictions treated;

special groups—whether it is women, veterans, children under 12—target groups, that is; and then the costs for the various programs; the success rate; and special programs. That is what we have right now.

**The Chair:** I think that is really at the root of the whole thing. The cost is certainly not incidental or insignificant, but I think the success of those treatment programs is really the key. What did we call it? Value for money.

Any further discussion? Now we are going to have to decide on which one of these scenarios we can plug it in.

1100

**Clerk of the Committee:** No.

**The Chair:** No? All right. We have to plug that into the budget and since we cannot get before the Board of Internal Economy probably until after the constituency week, we will defer that until we have the information Mr O'Connor has asked for. Then we can decide which one of those agendas we want to deal with. Okay?

**Clerk of the Committee:** We may have a new one.

**The Chair:** Yes, we may have a new one, in fact.

**Ms Poole:** I just want to make one comment. I do not think the cost is really a factor because you are only talking of a difference of \$1,300. So really what we want to find out is which would be more fruitful for our research endeavours in finding out what is successful in the United States and what could work here.

**The Chair:** Right. As I say, if we can get through the reports we have we would perhaps want to schedule some of the Toronto and area ones so that we would have a flavour of what we are looking at when we go down there.

**Ms Poole:** Could we actually do that when the House is in session?

**The Chair:** I think we could.

**Ms Poole:** We probably could if we did it in the 3:30 to 6 o'clock time slot.

**The Chair:** Public accounts sits from 10 until 12. We could go at 9 in the morning and come back by 1 o'clock.

**Mr Tilson:** Just before we go to the in-camera session, I appreciate that there is only a certain amount of time you are allowed, as a new member, to ask naïve questions, but I will ask this one.

**The Chair:** I am still doing that and I have been here six years.

**Mr Tilson:** This is a public accounts committee and I have not been present at most of the meetings since we have started, mainly because I was on another committee. But since I have been here, most of the time I am in camera dealing with the subject of university audits. Why are we in camera dealing with that subject?

**The Chair:** I suppose the question of preparing reports has been dealt with in two ways. It has been dealt with in camera and also out of camera, and I guess that is really the decision of the committee.

**Mr Tilson:** In the little bit that I have been here for so far, I have not seen anything that should not be discussed. This is a public accounts committee and we should be discussing many of these topics in public. I do not know



why we are in private session on those matters, but perhaps there is some logical or legal reason.

**The Chair:** I think the clerk has put it that discussions that give total freedom to the members to discuss their interpretations of what the evidence was or the hearings were are discussed in camera, but that is a decision of the committee. We can decide to do it in full view if you like. I do not know whether that is going to hamper some people from saying certain things; I would hope not. There may be instances, I do not know whether this was one of them, where perhaps something comes forward that is controversial and you want to have a full and frank discussion beforehand. I do not know. I am in the committee's hands. I am quite prepared to have Hansard stay, but I think we did move, back when we first got started on this, that it would be in camera.

**Ms Poole:** I do not know what the precedent was before the last Parliament, but I know in the last Parliament any committees I sat on, whether the select committee on education or public accounts, when it came to the draft report stage, they were held as a matter of practice in camera. I think most members felt that it did open the way for a fuller and more frank discussion. As soon as members go on the public record, obviously they have to be very careful that they are not offending any groups, any constituency groups or anybody else, so it limits the freedom of how you would approach an issue. I think that was one of the reasons that was given.

The second was simply that as you proceed to the report writing stage, sometimes you float trial balloons out among the committee and then, once you have had the researcher look into it, we have found that there is absolutely no validity to going in that direction, that the evidence does not support that direction. Yet in the meantime, if you had this on official Hansard, you would have a number of the constituent groups who would be either outraged or alarmed or panicking. I think that was one of the primary reasons the meetings have been held in camera.

I do not have strong feelings on it myself, other than I did find that when we are in camera members are less partisan, that they tend to be fuller and franker and able to air exactly what they are thinking without worrying about whether somebody is going to be on the phone the next morning to criticize them for such frankness.

I do not have any strong objection to holding these in public, I just think we should be fairly careful about the ramifications of doing so.

**Mr O'Connor:** One thing too, when we are discussing things in camera, a lot of what we are discussing are matters that we have dealt with in committee that, as you have said, may disturb some of our constituents and not necessarily reflect the wish of this committee. We do require some help in putting together our report, and quite ably by our researcher, but we do not necessarily agree with everything he comes up with, so if everything is recorded at that point in time and it is a public document, then they are not necessarily seeing the public documents of this committee.

I think it is a good practice that we do allow ourselves to be open and not to send out any mixed signals, because the final report is going to be the report that is the consensus of this committee. As we work through it, then the reports that we are working through are not necessarily the consensus of this committee. So I think that to be open and to be frank, you can do it much better in closed session. Not all discussions need to be held in camera, but to be open, I think I have to agree with Ms Poole.

**The Chair:** I am not sure from what you have said, Mr O'Connor, whether you are in favour of us going in or out of camera.

**Mr O'Connor:** I think we should be in camera until we come up with the final report, because we do not need to send out any mixed signals to our constituents as we deal with these matters. We will be changing them as we go through them and not necessarily all of the things that are discussed in camera are reflections of this committee's decisions. They can be the reflections of the researcher trying to compile what he feels are our opinions and decisions until the final document is out. I am not saying our researcher is not very able, either.

**Ms Poole:** Just one final thought that stemmed from what Mr O'Connor just said. I know one of the most difficult things in a legislative setting is when members put themselves publicly on the record on something and then rethink their position because further information becomes available. I have seen it happen all too often where a member did not have all the information, put himself on the record and then could not gracefully back away from it. They are locked into that position. So sometimes it tends to be much more antagonistic than perhaps it needs to be because people end up defending their original position rather than keeping an open mind and waiting until all the evidence and the discussions are completed.

**The Chair:** I think it is analogous to a jury, why a jury deliberates in private, although I note that is under review in the press today, and why they passed that law that does not allow you to find out why the jury decided is to give you free and frank discussion. But we are in this by consensus. If anyone wishes to change that consensus, let us know. Mr Tilson, do you wish to—

**Mr Tilson:** No. I understand some of the things that are being said. I guess it is difficult sometimes to think out loud, and that is probably the main reason.

**The Chair:** I think your comments were well taken. I think it is something we discussed and maybe it is something we should keep in mind, that nothing is cast in stone here. It is usual, but not necessarily the unbroken rule. Any time a member feels that the matter should be in the public domain totally, we will just ring Hansard at 967-1111—no, no—and it can be here. So certainly we are not trying to hide anything.

All right. Having said that, we are continuing in camera. We will do that and we will call Hansard if we need it.

The committee continued in camera at 1111.

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**Clerk:** Manikel, Tanis

**Staff:** McLellan, Ray, Research Officer, Legislative Research Service







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## Official Report of Debates (Hansard)

Thursday 30 May 1991

### Standing committee on public accounts

Organization

## Assemblée législative de l'Ontario

Première session, 35<sup>e</sup> législature

## Journal des débats (Hansard)

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### Comité permanent des comptes publics

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Chair: Robert V. Callahan  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 30 May 1991

The committee met at 1006 in room 228.

### ORGANIZATION

**The Chair:** We will get started while Mr McLean is up on the tube saying something. You have before you a draft of the budget we hope to put before the Board of Internal Economy. We still have not had any approval of our endeavours to look into—I was going to say the drug trade, but that is hardly appropriate—drug treatment in the United States and how we could perhaps benefit from their expertise.

However, we have included an amount in the budget which should be ample if we do get authority. You have a draft before you. Could I get approval of the committee to the budget? Any questions or comments, or can I assume we are all in agreement with the budget?

**Mr Johnson:** Do not assume anything.  
Agreed to.

**The Chair:** We will present the budget, then, to the Board of Internal Economy.

**Mr Johnson:** Mr Chair, with regard to the budget, we saw the budget last time. Could you point out changes there might be?

**The Chair:** My recollection was that on the last occasion we had not put anything in for the proposal of our travel to see the border drug treatment centres. That is in there. The clerk tells me we have requested information from the ministry. We had not got any yet so we just put a global amount in there. We think that is ample to cover it, but we could not put a specific figure in. Other than that, the budget is the same as last.

Now with reference to the letter from Lakehead University, we have not received it. We requested it, as you recall, some time ago. We asked for it specifically to give them an opportunity to comment on certain testimony that had been before the committee. I think this should be on the record. The request was on the record, the reason for it was on the record. We have not received any reply and we have to get on with our report, so I am suggesting that we proceed assuming there is not going to be a response. It has been some time since we requested it and we have had no reply. Are there any comments or discussion from the committee in that regard?

**Mr Hayes:** Did we agree that we would not be going to any drug and alcohol treatment centres in Ontario? There are none listed here.

**The Chair:** You are back at the budget. What we are talking about at the moment is the preparation of the draft report on school board audits.

**Mr Hayes:** I am sorry.

**The Chair:** You may or may not recall—I am not sure if you were a member of the committee at the

time—that the order of witnesses was such that we felt it only fair that there should be an opportunity to comment on the testimony of the last witness we had. We sent a letter to that particular body quite some time ago and we have not received a reply. We have to get on with our report. That is really what we are addressing now. Agreed that we proceed?

Agreed to.

**The Chair:** Having said that, there was a computer glitch, as I understand it. Was it with this one, Ray?

**Mr McLellan:** Yes, unfortunately.

**The Chair:** In our high-tech society, a computer took a holiday or choked on whatever it was bringing out. Has that been—

**Mr McLellan:** It will be out the first of the week.

**The Chair:** It should have been here today, but Mr McLellan spoke to me and told me about this. We were thinking of chastising him for the failure of the technological equipment; we will give him another week before he loses his head. Only kidding. Okay, that is agreed then.

Just to go back to Mr Hayes's question, you had a question that obviously relates to the budget.

**Mr Hayes:** If for some reason we are not able to tour any of these US drug and alcohol treatment centres, does the committee intend to go to any of the ones across the province? There is quite a variation in the different centres in the times and the different types of treatments, things of that nature. There is nothing in here dealing with Ontario.

**The Chair:** The clerk tells me there are a number of them, but they are within driving distance. For that reason, she has included an item called "ground transportation" at \$3,500, which would allow us to visit them. We might even be able to skirt off to Buffalo at least, if we get totally refused.

I think it is important for each of us in our caucus to highlight that this is a very important issue; it is very topical, it is very current. We are going to continue to spend \$500,000 to send someone to a centre which maybe we could bring here and keep all that money in Canada rather than going across borders. You might, when you are talking with your respective House leaders, encourage them, particularly those members who sit on the Board of Internal Economy, to treat us with understanding. I have never come out of the Board of Internal Economy without feeling as though I have been beaten up.

The clerk also tells me that she has not yet sent the letters to the House leaders requesting specific weeks during intersession for us to sit. She has put in for the conference in Winnipeg. Are there any specific dates, months or weeks, in which people are getting married or some important event, which they would not wish to clutter up, as it



were, or can we simply leave in the clerk's able hands to request whatever we can get from the House leaders, which is usually the way it works anyway? Seeing no comment, I can assume that no one is getting married or anything important.

**Mr Cooper:** We are not meeting in July.

**The Chair:** No. Traditionally July is a period when you go back to your ridings and try to make peace for all the things you have done during the rest of the year.

Now we are going to move into closed session, so we are going to give Hansard the weekend off. Have a nice holiday.

The committee continued in camera at 1015.

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Tilson, David (Dufferin-Peel PC)

**Substitutions:**

McGuinty, Dalton (Ottawa South L) for Mr Conway  
O'Neil, Hugh P. (Quinte L) for Mr Bradley

**Clerk:** Manikel, Tanis

**Staff:** McLellan, Ray, Research Officer, Legislative Research Service













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Rapport annuel de 1990  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 6 June 1991

The committee met at 1010 in room 228.

After other business:

1109

**The Chair:** I have a resolution moved by Mr Tilson "that the standing committee on public accounts adopt the draft report as report number 1, 1991, and that the Chair present it to the House and move its adoption."

Motion agreed to.

### ANNUAL REPORT, PROVINCIAL AUDITOR, 1990 MINISTRY OF HEALTH

**The Chair:** Now we have before us Dr Barkin, and perhaps you could introduce the gentleman to your right. Is that David McNaughton?

**Dr Barkin:** Dave McNaughton, and to his right, Dr Robert MacMillan, executive director of the health insurance division.

**The Chair:** I am not certain whether you understand why we have asked you to come. If you are certain, I will not bother to explain.

**Dr Barkin:** No. I would most appreciate hearing it again.

**The Chair:** The committee had expressed a concern about looking at the question of drug facilities and alcohol treatment centres in Ontario and then comparing those with what is available in the United States. The second half of that is still up in the air, for reasons the committee knows, so maybe you could just assist us in terms of what is available in both drug and alcohol treatment, and perhaps even include in that if anyone has knowledge of any delays there may be, backlogs and so on.

**Dr Barkin:** I was not as certain of your needs for information as I am now, so I thank you for that. That is one of the reasons I brought a variety of people, people from the drug treatment side as well as people from the OHIP side, in preparation for questions that would come either on payments of services or questions around the availability of services.

On the drug treatment side, I would introduce to the committee, and I will bring to the table if that is the line of questioning as is appropriate, Celia Denov, who is the executive director of community health programs, Steve Lurie, who is our mental health and addictions co-ordinator for the Ministry of Health, and I have asked to come along from the provincial anti-drug secretariat Dr Jon Kelly, who is director of the anti-drug secretariat, so that the committee would have available the expertise, at least, that is available in the government on the subject.

I thought with my opening comments I would explain the role of the bureaucracy in the Ministry of Health in managing the out-of-country payments first, so that the

committee understands the legislation under which we operate. This is actually not the first time I have been before this committee on the subject of OHIP payments. I was before the committee in early 1988, a couple of months after assuming the position of Deputy Minister of Health in Ontario, and at that time I did make some comments about the comparisons of the facilities available in the United States and in Canada. We have had subsequent research and studies which confirm that those statements are an accurate reflection of the status quo, and I will refer to those later on.

I did, however, make two statements to the committee at that time which, as events have evolved, turned out to be not as I predicted they would be, and I think it is fair to start with that.

At the time I commented that there would be a doubling of programs in Ontario, both institutional and non-institutional programs, and that there would be a considerable registry developed in Ontario over the next couple of years. In fact, that did take place. Our detoxification centres went from 15 to 24; our assessment referral centres went from seven to 35; our non-residential centres went from 30 to 60; our short-term residential centres went from 22 to 43; and our long-term residential centres remained stable, in keeping with my comments to the committee in 1988 about the balance between residential and non-residential treatment and the cost-benefit of the two forms of treatment in our society.

The total number of patients treated went from 47,000 in 1985-86 to 61,000 in 1988-89, and those figures are from our report. Then in 1989-90 we produced a catalogue, of which an update will be coming, of all of the alcohol and drug treatment resources in Ontario, identifying where they were, what languages were available, their accessibility and their waiting lists. I will be pleased to leave you the 1989 copy, but the 1991 update is still in the process of preparation. It will be substantially thicker and more complete.

The two areas that I highlighted, where my predictions were overtaken by some interesting events, were that this doubling of capacity would in fact deter or stop patients seeking treatment in the United States, and that our 75% payment policy would be an added and sufficient deterrent for that purpose. Neither of those comments took into account what would become one of the most aggressively marketed services in North America, the public substance abuse services from clinics and centres in the United States, many of which were free-standing and affiliated themselves with hospitals, if in fact it was not the hospitals themselves that went into the business of drug abuse treatment.

In this heavily marketed environment the American payors went to immediate restrictions and prior assessment and prior approvals to deal with that. We were a little



remote from the problem in Canada, and it took some time for us to become aware of just how heavily and aggressively that would be marketed. So although we were treating 60,000 to 70,000 patients in Canada, and when our own assessments demonstrated that specific need for services in the United States that were not available would account for about 1% or 1.5% of need, patients without assessment, who could go directly to the United States in response to that marketing process, accounted for about 5% of our patient volume but a lot higher than 5% of our costs, because of the costs of American residential drug treatment. The 75% payment policy, which we thought would be a deterrent, turned out to be subverted by the Americans' charging practices, in which they tended to forgive the 25% for reasons that became apparent later on in the course of the subsequent 18 to 24 months as we began to follow how quickly and rapidly this phenomenon unfolded.

I said I would give some background as to how the health insurance program is administered by the ministry, and I just have a few points to explain. Our administration of the health insurance program is governed by the Health Insurance Act, and within the act there is the appointment of a general manager, who is appointed by the Lieutenant Governor in Council under subsection 4(1) of the act. The general manager is the chief executive officer and has independent authority under the Health Insurance Act.

Mr McNaughton in addition to being the assistant deputy minister, is general manager under the act.

The general manager, under clause 4(2)(c) of the act, has the power to make payments by the plan for insured services, including the determination of eligibility and amounts, and under section 24 of the act the general manager shall "approve and assess claims for insured services, determine the amounts to be paid therefor, and authorize the payment thereof, in accordance with this act and the regulations."

Where a person receives treatment in a hospital outside Canada as an inpatient or outpatient, the cost of the insured service paid by the plan shall be the amount determined by the general manager.

Finally, disputes over medical necessity and over payment are handled by an elaborate appeals process as defined by the act, and sometimes by an appeals process outside of the act, which involves appeals to the Ombudsman.

The policy of 75% payment for elective and 100% payment for emergency was implemented in Ontario in 1962, at which time it represented a reflection of the costs of these services as they were delivered in Ontario. Of course, from 1962 to 1990 there has been some divergence between the costs of services in Ontario and elsewhere, but by that time, as time passed, the 75% and 100% went from the general manager's discretion to being a matter of government policy just by virtue of the fact that that is the way it had been for several decades.

1120

Finally, the recent changes in the process announced by the minister in the House dealt with that, changed those processes, and with the balance of changing the payment policies of the government with respect to out-of-country

services, both for emergency services—that is, services required while travelling for some other purpose—as well as for services that are not available. The minister specifically identified substance abuse programs, the process of prior approval and payment policies for the United States, and in her statement referred to a commitment for, and I will simply quote her statement, "expansions of existing addiction services: residential programs, youth services, case management, detoxification services and day treatment, as well as an enhancement of assessment and referral services. And new treatment registry is planned."

So all the way through, in dealing with the payment for services available or not available in Ontario, in the United States the concern was that when services could not be provided in Ontario that were either appropriate or timely, we not cut off access to places where those services were available.

Those are my opening comments with respect to the payment side. For the comparison side, I refer for greater detail to Steve Lurie, who is our expert in this area. There have been a number of reviews carried out comparing substance abuse treatment facilities in Canada and the United States for alcohol and illicit drugs. One of the reviews was carried out by the Addiction Research Foundation in 1985. On balance and in general there is little difference between residential treatment programs available in the United States and those available here. Ours seem to have more professionals working in them than those in the United States, and Steve can speak to the details of that comparison.

In terms of the efficacy of treatment programs, however, the comments I made before this committee in 1988 were as relevant then as they are today. That had to do with the limited necessity for residential treatment and the overwhelming applicability and superiority of non-residential alcohol and drug treatment, in terms of the broader base of population that can be served in this way, in terms of the cost-effectiveness of providing such treatment and in terms of the long-term success rates. Those were my comments in February of 1988, and I think subsequent research and evaluation and the most recent paper on the subject will confirm that still remains the general belief today.

With those opening comments, I and my staff are pleased to answer the committee's specific questions.

**The Chair:** Has there been or is there any more recent examination of the US facilities since the 1985 review?

**Dr Barkin:** If I may, I refer that question to Mr Lurie, who is an expert.

**The Chair:** I think he is shaking his head, no.

**Dr Barkin:** Steve, come up. You will have to be picked up by a microphone.

**The Chair:** We try to preserve words of wisdom for posterity by having you speak into the microphone.

**Mr Bradley:** Even words that are not wisdom.

**The Chair:** That is right. We just picked up yours, Mr Bradley.

**Mr Lurie:** Since 1985 there have not been formal reviews, although in the last few months the ministry has received some comments from people who have been



approached by some of the US facilities. They are suggesting that while some of them are quite good, there are certainly others where they would not recommend we make any referrals or pay for services. They are suggesting that some of them use techniques of behaviour management that would be illegal under the current Ontario Mental Health Act.

**The Chair:** Would you be able to provide that information to the committee?

**Mr Lurie:** Yes. I have two—

**The Chair:** Perhaps not on the record, since those comments may or may not be ones people would want on the public record. If you can provide those to us, it would be most helpful.

**Ms Haeck:** Fairly recently I had a constituent in a position of needing some treatment and whose counsellor or doctor got a recommendation to a facility in New Orleans. In negotiating with some staff within the OHIP offices, he received a letter saying he was required to pay 25% and that he had to provide proof that he paid 25% of those costs.

The newspaper reports have made it known very widely that that obligation is not universal, that in fact patients on a fairly regular basis, and maybe through some of these brokers who are used here, seem to be able to work out some other deal, that the facility in question will accept the 75% OHIP payment and the patient is not required to pay the 25%. To what degree can you comment on the veracity of the newspaper accounts, and what is the position on the obligation of an individual to pay 25%?

**Dr Barkin:** In my opening remarks I commented on the fact that one of the factors that tended to negate the 75% I referred to, or thought would be a reasonable deterrent in 1988, was the practice that you have described of facilities finding ways to "forgive" the 25%. It is not a consistent pattern, but certainly one we became aware of through the latter part of 1990. As far as the ministry's change in procedures to try to deal with that, I will let the general manager of OHIP comment on that, if I may.

**Mr McNaughton:** The attention has increased on this particular aspect about a country and payment. Dr Bob MacMillan and his staff in Kingston have reacted in an appropriate way, in the sense of more scrutiny of everything passing our desks. The law is quite clear, and I think what you are commenting on is that every effort is being taken to apply the law at this time, particularly because of the magnitude of the problem, the attention on the problem and so on. We are in a period of time now, until new policy takes over, that will be much simpler. The reason for new policy obviously is to avoid the kind of situation you just described. It is not an ideal situation and hopefully a new policy will avoid such situations. What you are describing is application of the current regulations with full rigour by our staff in Kingston.

**Ms Haeck:** So those individuals who go down to the US on an elected basis will be required to pay and provide proof of payment of 25% of those charges?

**Mr McNaughton:** That is correct, and we are just standing watch stronger in that regard. I would like to stress that, as the minister announced, in the fall a new policy will take over.

1130

**Ms Poole:** On a slightly different topic, we have received reports of headhunters who are primarily hired by US facilities to come up to Ontario and lure people down to those facilities. Could you tell me what investigative work the ministry has done in this regard and whether there have been any reports on it? How serious do you think the problem is, and has the minister taken any steps to remedy it?

**Dr Barkin:** We think the problem for those patients who are going to the United States without prior assessment is a serious problem. We have been carrying out two kinds of audits, actually, since last fall. One deals with the financial side of the invoices, to be sure we are paying only for the medical treatment and not for ancillary things like transportation and commissions payable. The other is a medical audit, which requires a lot more expertise. We bring that expertise in from outside to ensure that all of the services billed to us are medically necessary and indicated.

As far as the numbers of those and the exact technique, if I may, Ms Poole, I will refer to Dr MacMillan, whose division is actually overseeing those two surveillances.

**Dr MacMillan:** Unfortunately there is nothing illegal in Ontario with regard to attempting to market patients towards a particular hospital, whether it be in Ontario or in the United States. The climate in the United States is such that hospitals are often running at 50% to 60% occupancy because the private plans in the United States have been so tough with the in-hospital treatment of drug addiction. They are looking for new markets through various ways: hiring Canadians, setting up branch offices of their hospital networks here in Toronto or elsewhere in Ontario. We are well aware of at least 12 so-called headhunting agencies that are operational in this very city that are using very unethical techniques, to say the least, in attracting people and enticing them to go across the border, often with their transportation paid or even with financial incentives to do so, we are told lately.

We are getting very tough with the hospitals in the United States. We have communicated universally with them several times, indicating our policies and attempting to bring them into line with the appropriate conduct governing our regulations and policies. We are not winning the battle, but in the move to a new policy of prior approval and so on we believe we will have it totally in hand.

**Ms Poole:** Thank you, Dr MacMillan. Every time I see you, I think of things like the Independent Health Facilities Act and Health Professions Legislation Review and all sorts of things. I am trying to get my mind back on to drug abuse. It is difficult.

Dr Barkin mentioned that the ministry has been active in trying to ascertain whether commissions are being added to the fees and whether transportation has been added. Has it been the finding of the ministry, when you have been doing these types of investigations, that the



American facilities are taking this kind of as a loss, building it into the fees? Is it in addition, or are they actually eating it in order to attract more patients down there?

**Dr MacMillan:** We have talked about this many times. It certainly is not out of the goodness of their hearts. They have obviously attempted to use the funds obtained through OHIP in order to fund this entire marketing process, I am certain, including the transportation. As a result, as the deputy said, we have been far more careful in sending these accounts, especially from noted offenders, to expert medical auditing firms and have already been successful in clawing back a significant amount of money, although it is at the early stages in some accounts.

In addition, I think the very knowledge on the part of the hospitals in the United States I wrote to last December warning that we were going to do this has been a deterrent to some degree. We have seen hospitals that used to deal primarily in these, in many cases frivolous, referrals to the United States now going through the process we have recommended where consultation is made with our staff at OHIP and a medical consultant, where a referral is made not just from the headhunting agency but through a physician, to try to make it legitimate and prove the medical necessity before the person gets down there. So within this old policy, I think we have taken almost every step we can to deter people from inappropriate activity, to detect inappropriate billing, which would be a padded account representing the travel and the marketing costs. The message is certainly to family physicians and referral agencies to make the proper referral process work.

**The Chair:** Apart from the climate in places such as Texas, Florida and New Orleans, most of these facilities are located in not terribly exotic places, with all due respect to the United States—Cleveland, Minneapolis, Something-or-other Falls. What is the attraction? That is what we would like to know. I mean, if these people are going, clearly there must be something they are doing right that we are not doing enough of, well enough or whatever, to make them go there. They are not going there for the weather, other than the ones I have just explained. Can you help us with that?

**Dr Barkin:** Perhaps I will quote a comment I made before a recent committee of the US Congress that was visiting Toronto. This is of course a very peculiarly American phenomenon, and that is what I said then, that almost every jurisdiction has difficulty getting all the health care that people need for the people who need it. No jurisdiction can afford to get all the health care the people want, or are marketed to want, to them. In our view, the difference between what is needed health care and what is marketed health care is what is reflected in the attraction to these particular places.

When we have patients who are put through assessment and referrals by assessment referral centres in Ontario, the number of times we have to seek help from facilities for very special circumstances in the United States accounts for about 1% to 1.5% of patients who are being assessed. I think Steve can give you the exact numbers of the last group that was appropriately assessed.

When patients are marketed to directly and leave Ontario by their choice in response to those things, the rate at which that occurs is extremely high. What we are dealing with is not that there is something there that gives an outcome of treated substance abusers with the lowest possible incidence of recidivism or return to the addiction state but that there has been an aggressively marketed holding out of promise to that particular individual at one of the most vulnerable times in any individual's life.

Whether one is an addict or is suffering from a severe illness, at the point at which one has decided this is the time he wants to change his life, this is the time he wants to get out of the hole of addiction—and for addicts and their families this is one of the horrible diseases of the 20th century—the marketing to those individuals of treatment facilities is almost exploiting that vulnerable state.

**The Chair:** Steve, could you give us the numbers on the assessments for the last little while?

**Mr Lurie:** Yes. The assessment referral centres saw 16,000 people in the province last year and, of those, they found that only 18% needed residential care. Of that total, only 1.4% were referred to US services.

They did a survey of their programs for the period between April and October 1990 and found that out of 5,000 people who would have been assessed during that period across the province, only 69 people were referred to the United States.

They have identified that one of the problems people face is the assumption that you need residential treatment if you have an addiction problem. The literature suggests you do not, and they have suggested one of the things the ministry should be doing in the years ahead is trying to map a public education program to deflate the myth that residential treatment is the only cure for an addiction problem.

The study the Addiction Research Foundation did for us in 1985 identified that another reason people go the United States is that there are fairly liberal admission criteria to the existing programs. You do not have to be detoxified to go into a program, so there are some people who go and in fact they are detoxified as part of the program, whereas here we try to encourage people to get detoxified before they engage in a program.

1140

**The Chair:** So it does not have anything to do with the waiting lists. The reason I ask is that some of the research material we got from our research officer in anticipation of looking into this matter seems to show very impressive success rates in the United States.

**Mr Lurie:** Certainly for some services there are waiting lists, and we have identified in the anti-drug strategy report that for certain people with specific problems there are some services that are unavailable or where there is a wait that would be found to be a problem. But when you look at the number of people the assessment referral centres have said required it, 69 out of 5,000 is a relatively small number. For example, for people with dual disorders, who have a psychiatric and an addiction problem, there is a need to get them into a comprehensive treatment program, and the resources are a bit strained here.



Similarly for some of the youth, the provincial anti-drug secretariat identified in its report that there really was a need to expand youth programs. But for the bulk of people, I think the general comments that both the deputy and I made apply here: Most people do not require residential treatment. The research evidence is overwhelming that outpatient treatment can be as cost-effective.

The other point the experts in the field could provide you with is that the issue of immediacy is not critical. You do not necessarily need treatment tomorrow. What you may need is detoxification tomorrow and support, and that is certainly the direction in which we are trying to move the system.

**Mr O'Connor:** You touched on the waiting list. If I could just try to narrow that down a little bit, is there any relationship there to certain addictions? One area that has been brought to my attention through constituents is the youth being attracted to some of these and the marketing that is used to attract our youth down to the United States. I do not know whether they are more susceptible to being coerced into treatment across the border, but if that is true, is there any difference in the quality of treatment they are receiving down there as opposed to what they could receive here? Are the facilities available here for that treatment?

**Mr Lurie:** With regard to youth treatment, there certainly has been an identified need to expand programs here. At the same time, the recruitment of people to the United States does not necessarily mean that the treatment they get is appropriate. At the anti-drug strategy hearings, we heard testimony from a lot of youth service agencies that said they had real difficulties with some of their clients who in fact went to the States, were treated and then came back without appropriate case management support. They found they had to pick them up and they were no better than when they went before; they were back using the drugs.

I think the other dimension of this is that among street kids there really is a very high incidence of alcohol and drug abuse. Those youth are multiproblem youth, and a 28-day program in the United States is not likely to yield the kind of benefits they need. What we are looking at here, and certainly what the anti-drug strategy report recommended is the development of a more comprehensive program that provides both stable housing and life skills and offers young people an opportunity to change their approach. That is also the need that the youth service agencies identified in the hearings on the Vision 90s report.

**Mr O'Connor:** Is there any relationship to the length of stay—I guess there is no actual cure for it—for a person returning to that addiction or whatever?

**Dr Barkin:** Perhaps I could help out a bit. Actually, I commented on that in 1988 when I was before the committee and I think my comments then are relevant today. At that time I said the treatment and rehabilitation of the patient who suffers from substance abuse is not a one-shot item that goes on for three weeks, six weeks or eight weeks in order to achieve a cure. One must have in the community where one lives, from the time one went into the process of treatment until one has gone through the

various stages of recovery, a support system, a support network to achieve this.

Having a 28-day or a 56-day residential treatment go that gets you off drugs in that artificial setting is not a cure for substance abuse. In order to get some greater understanding of how our community programs actually work, I went to visit some of them. What I found is that in these community-based programs, first, as they had their meetings there was tremendous mutual support within the community for the successful addicts—the one I am referring to that stands out in my mind is a cocaine addict group—and second, they celebrated their successes with pins and emblems that celebrated a success of six months, 12 months, 18 months, 24 months and so on.

The notion that one can be cured in 28 days was quickly dispelled in my mind when I saw the kind of continuing, ongoing support that some of the more severely addicted people—and this was a youth program as well—need to have on a long-term and ongoing basis in the communities in which they live in order for them to live productive lives in those communities. The notion that someone, as I said in 1988, can go down to the United States for 28 days, get off drugs, come back here and say “Hey, I’m okay” simply has nothing to do with the reality of addiction.

**Ms Poole:** If I might digress for just a moment to another area, could I ask for somebody from the OHIP billing side to give the committee information as to the total amount of out-of-province OHIP billings over the last three- or four-year period to show whether there has actually been a serious increase, and second, specifically how much of this was devoted to the drug and alcohol abuse facilities? I do not know whether you would have that information with you.

**Dr Barkin:** I do not have it all with me, as you have asked, but we can certainly obtain that for you. I think we can give you some approximate numbers, subject to further verification from Mr McNaughton.

1150

**Ms Poole:** That would be helpful.

**Mr McNaughton:** Ray has copies of my data there that might help me answer this question. In approximate terms, total out-of-country costs to OHIP have gone from \$100 million three years ago to \$200 million or \$220 million now. Bob, if you would just help by nodding, I believe the addiction component is around \$40 million.

**Dr MacMillan:** That has gone up 600% in the last three years and is now at least \$40 million.

**The Chair:** So it is not an insignificant problem.

**Dr Barkin:** No, it certainly is not.

**Ms Poole:** So today approximately \$40 million would be spent on the drug and alcohol abuse, about 25% of what is being spent out of country. Thank you.

**Mrs Mackinnon:** I am departing just a little bit from drug and alcohol abuse but it is still involved a little bit. In my riding, it was really astonishing; after I was elected, four professionals came to me individually, not knowing the others had come, and had documentation and even an



ad out of a newspaper enticing people who had been recently bereaved to go to some exotic place—don't even ask me where, because I was not interested; it was in the States—to help them deal with bereavement. All they had to do was have a paper, like you get signed by a doctor, saying "You can be off" or you can do this or you can do that. Lo and behold, they had a plane in 24 hours. One doctor refused to sign any of them; he is to be commended because he would not go for it, but needless to say they found somebody. I am wondering if you have any answer for this. Do you know if this happens on a regular basis? How much of a problem is it? Have you heard of it?

**Dr Barkin:** We have certainly heard of the marketing of a variety of treatments in the United States. Our policy up until now is that they had to be delivered through an accredited hospital. As Mr McNaughton and Dr MacMillan indicated, with the financial status of American hospitals, they have gone into a lot of activities that are not traditionally hospital activities in the last two years, and certain specialized, or I would say targeted, mental health services, rehabilitation services and addiction services belong to that category.

When that became apparent to us, it also became apparent that the overall policy for payment for services in the United States in that market environment would have to change. So we are aware, not of the particular story you have raised—although they may be familiar with them, I am not—but stories like that is what has prompted the change in the government's policies with respect to out-of-country payment which will become effective in the fall of this year.

**Mr O'Connor:** Is the anti-drug secretariat looking at this issue, and is there a way that some of what it has been looking at can be shared with us? Is there perhaps a way that we can enhance what they are looking at?

**Dr Barkin:** Jon Kelly of the anti-drug secretariat joins me at the table to answer Mr O'Connor's question.

**Dr Kelly:** Mr Chairman, the answer is yes. We are looking with our colleagues in the Ministry of Health at this very complex set of issues. The parliamentary assistant to the minister responsible for the provincial anti-drug strategy co-chaired a set of hearings around this drug treatment issue with the parliamentary assistant to the Minister of Health. So there has been a lot of analysis done by the secretariat and the Ministry of Health in looking not only at how to curtail the out-of-province treatment but at what needs to be done in this province, a considerable amount in the last year—in the last six months particularly—but in the last year.

**Mr O'Connor:** As we take a look at this issue, is there any way you think we can enhance what they have been looking at so we are not both following the same trail, maybe crossing paths on occasion?

**Dr Kelly:** We have copies of the report of the experts' committee on drug treatment that was done for the minister responsible for the provincial anti-drug strategy in December. It might be helpful to see that, to give you a sense of the analysis that has been done not only by Ministry of

Health, the secretariat, but also the Addiction Research Foundation.

**The Chair:** Make that available to our research officer and he certainly will make it available to the committee.

**Dr Barkin:** We will get you one.

**Mr O'Connor:** Have they looked at US facilities?

**Dr Kelly:** They did not look specifically at US facilities in that review, although some of the experts on that committee were the ones who did the 1985 review of American treatment programs, so that it is the same people.

**The Chair:** We are going to have you back, I understand, but I would like to ask you a question just before we leave. Maybe somebody can address it who is here. What treatment is available on an in-custody basis for people within the provincial reformatory system? Other than AA meetings, which I know are conducted, what other facilities are available to ensure that these people, who are in there perhaps because of an alcohol or drug addiction problem, are going to be any less addicted when they come out through the revolving door?

**Dr Kelly:** We do not have the specific details. We could get those from Correctional Services.

**The Chair:** When you come back, I would be very interested, I am sure—I think the committee would be too—in having that information. Perhaps in addition to that, we would like to know when was the last review of how up-to-date those services are and what, if any, advances have been made in other jurisdictions in terms of providing the services more effectively?

**Dr Barkin:** Mr Chairman, I was informed prior to coming to this meeting that the author of the 1985 review, who has periodically updated his own knowledge in the area, could be made available if the committee likes, although he is not a public servant. I do not know if there are any rules of the committee that prohibit an outside expert from coming in along with me to help answer that question. Do you have his name?

**Mr Lurie:** Garth Martin.

**Dr Barkin:** Garth Martin from the Addiction Research Foundation? We can arrange for Mr Martin from ARF to be here.

**The Chair:** Actually, next week we are going to be hearing from Garth Martin as well as Dr Linda Bell of Bellwood.

**Dr Barkin:** I think Garth can answer those questions.

**The Chair:** All right, and we will be seeing people from the Ministry of Health on 20 June. We would like to see all of you, and I guess it makes it that much easier if questions come from committee members that we perhaps would have to wait for. So whoever can be here, we would appreciate it.

**Dr Barkin:** We will be sure, now that we understand the direction the committee would like to take, the people are available.

**The Chair:** Maybe even to put it into complete perspective, the committee is very interested in ascertaining quality, value for money. But at the same time we also are

putting in a human component. We want to ensure that the very best treatment for these two particular difficulties is being made available in this province. It is like the mechanic says, "You can pay me now or pay me later." If we are not treating those problems, we are going to treat them down the line in terms of violence in our streets, breakdown in families and so on. Although we are charged with looking after fiscal responsibility, I think equally we have a concern about the other side of it.

**Dr Barkin:** So do we, and that is one of the reasons we continue to emphasize very strongly the importance of community-based programs, non-institutional-based programs, which are the most effective for the vast majority of substance abusers and the ones most likely to last the longest time; that is, keep people off drugs the longest time.

We recognize that for a small number—and our assessments by outside experts confirm that it is indeed for a very small number—there is a need for a period of institutional treatment. For a very small percentage of those, the institutional capacity and capability—Steve gave you an example of some of those numbers—is not what it ought to be in Ontario. Under those circumstances, but only

under those circumstances, are we in a position to say that the United States has something that we do not as yet have a capacity for in Ontario.

Comparing facility for facility, when a facility is indicated, and I emphasize that point, our best advice at the moment, and subject to any further findings from the committee, is that our facilities are as good as anywhere when they are necessary. I repeat, only because it bears repeating, that institutional treatment is not always necessary and is certainly not the most cost-effective treatment when it is not necessary.

**The Chair:** I thank each of you for attending. I should clarify for the committee, and perhaps for those in attendance, that I had indicated we had responses from the US telling us its success rate was X. That actually was ascertained by them sending us that information to our research staff, as were the Ontario results. I guess you have to look at them in terms of the veracity of the sender. I just thought I would clarify that.

We stand adjourned until next Thursday at 10 o'clock in the morning.

The committee adjourned at 1203.



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Provincial Auditor, 1990

### Comité permanent des comptes publics

Rapport annuel de 1990  
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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 13 June 1991

The committee met at 1007 in room 228.

### ANNUAL REPORT, PROVINCIAL AUDITOR, 1990

Resuming consideration of the 1990 annual report of the Provincial Auditor.

**The Chair:** Good morning, everyone. On our agenda this morning we are dealing with a briefing on section 3.13 of the Provincial Auditor's 1990 annual report, OHIP billings.

### BELLWOOD HEALTH SERVICES INC

**The Chair:** We have before us this morning Dr Linda Bell. Dr Bell, would you come forward, please. You have to sit up here, otherwise we cannot preserve your words for posterity.

**Ms Bell:** Mr Chairman, for clarification, I am not Dr Linda Bell. I am Linda Bell, but I do not have the distinction of being a doctor.

**The Chair:** All right.

**Mr Cousens:** We will give you an honorary degree.

**Ms Bell:** Thank you. I would be pleased to accept.

**The Chair:** Do you have a presentation first to brief us, or are you just ready for questions right off the bat?

**Ms Bell:** I did prepare a few comments that I would like to share with the committee in order to provide a framework or context from which to understand the issue, as I understand the issue.

**The Chair:** That is fine, okay, if you would like to start then.

**Mrs MacKinnon:** I wonder if there are copies of this presentation.

**The Chair:** It will be in Hansard when it is given. Go ahead.

**Ms Bell:** I am Linda Bell from Bellwood Health Services and I am certainly grateful for the opportunity to speak with you today around the issue of the cost of alcohol and drug treatment in Ontario to the Ontario government. As a preamble, as I said, I have made a few comments. I do have copies of the comments, if you would like to have them. I could either hand them out now or at a later time.

**The Chair:** Perhaps if you give them to the clerk, she can hand them out to the members. They may wish to have them.

**Ms Bell:** Bellwood Health Services operates a private hospital and a recovery centre here in Toronto. We are located in Scarborough and I think it is interesting that at a time when we are purchasing services from private hospitals in the United States, we have empty beds. We would like to find a way of working in partnership with the government to have those beds funded so that we can treat Ontario residents here at home.

We would like to be able to find and be part of the solutions with the Ontario government to redirect some of the \$40 million that is currently being used to purchase services from US hospitals to create the services here in Ontario. The intent of my presentation is to look at this from the perspective of cost saving to the government, job creation within the province and improved services and an improved infrastructure within Ontario.

I would like to give you a brief overview of Bellwood, and towards the end of the presentation, I have brought Frank Fuernkranz from our staff to review a brief financial comparative value with the US services that I think you will find very interesting, because we are looking at a possibility of saving the Ontario government \$11 million on an annual basis. In this committee, I thought you might be interested in looking at those numbers.

Bellwood at the present time is unable to compete fairly with US hospitals that are providing services to the government of Ontario because there is preference given to purchasing services from private US hospitals compared to Ontario private hospitals. It is very frustrating for me, as an individual and as a taxpayer, when at the same time the Premier is attempting to reassure the business community that the province wants to work with the corporate community, we are purchasing these services from the United States. This week he is talking to the federal government and giving some direction about cross-border shopping, when in fact our government is one of the biggest cross-border shoppers in the province in the area of addiction services.

It is very frustrating when we run a cheaper service. Our cost on a daily basis would be cheaper and we could look at saving between \$100 and \$150 a day at a minimum, and often more, because the hospital rates in the United States range anywhere between \$450 and \$800 or \$900 a day. There are a lot of mixed messages that are filtering through the government and I think we have an opportunity, because we are recognizing the extent of the problem, to provide some creative solutions. Bellwood would like to be part of that.

Our history is that Dr Gordon Bell started treating patients with an alcohol or drug problem in 1946 by bringing them into his home. He has set up a variety of hospitals since that time: a private centre for men in the 1940s, the first hospital for addiction for women in North America in 1951 and the Bell Clinic, which was a co-ed facility, in the mid-1950s. Then, when the time came to work towards socialized health care, we set up the first public hospital for the treatment of addiction in Canada and the first hospital to be accredited for addiction treatment.

We have a history in this province of the government working in co-operation with the private sector in many areas, and the government works with private accounting



firms, architectural firms. We work with physicians, we work with organizations like Woods Gordon, Peat Marwick Thorne, Miller Thomson, a legal firm—all private companies—and we work in a collaborative way, because you set the policy and the guidelines for working in this relationship.

Because there is concern about dealing with privatization in the health care field, I thought it was important to address this issue of our history and the fact that we do work with the private sector in Ontario, but we do not work appropriately with the private sector in health care in Ontario. We work with the private sector in health care in the United States, and that is creating jobs in the United States and putting money into the US Treasury, not into the Ontario Treasury.

We established Bellwood because there were no public funds, either from the government or from the public through donations, to set up expanded services for addiction treatment. We went to the private sector, to a brokerage firm. Our investors are people like the Sisters of St Joseph, pension funds associated with major unions in this province and people who have themselves recovered from chemical dependency. They invested in Bellwood to set up the treatment services so that the capital cost would not be a burden to the provincial government and we could then work in co-operation.

They have made at this point a very poor investment. If we had set up in the United States, they would have made a very wise investment, because the Ontario government would purchase services from Bellwood if we were a private hospital in the US and we would be cheaper than any other American you are currently buying services from.

Within the current health care system, we know that general hospitals are having trouble balancing their budgets. We know there is restraint on capital funds. We know the private sector will work in co-operation with the government to provide the capital needed to expand services in this area, but we need an honourable relationship for the province of Ontario, the citizens of Ontario and the people working in that service.

We need expanded services in Ontario. The concept of developing more assessment and referral offices makes no sense at this point if you are not going to do something significant to expand addiction treatment services here. We need more beds, more treatment spaces. We have less treatment spaces in Ontario for our citizens than do British Columbia, Alberta, Manitoba and Saskatchewan. We can do better than that in this province.

The treatment in the United States is not better treatment than we provide here. In fact, we have trained many of the Americans in our treatment methods. One of the famous institutions in the United States is the Betty Ford Centre. Betty Ford was treated in the US naval hospital in Long Beach, California. The US navy trained here in Toronto. We have a long history of working with people from outside the country and a high recognition outside the country.

The problem with addiction services in the United States is that there is very poor continuing therapy and that people tend to drop through the cracks when they come back to Ontario.

Bellwood currently operates 40 beds, of which 12 are funded through the Ministry of Health. The other beds are fee-for-service beds. As a result, we had an occupancy rate of approximately 68% in 1990. We always have empty beds. The insured beds are 100% filled, but there are always empty beds. Today, 13 June, 27 of those 40 beds are occupied, 13 of those beds are vacant, and today the Ontario government is purchasing services from the United States for many more people than would fill those beds. I could admit them this afternoon if we had an arrangement comparable to the US or some other option that would be workable.

Bellwood treatment costs, as I said, are less than those being paid to the United States. They are around \$300 a day Canadian. If the government were to insure those 40 beds by the end of June, in this fiscal year alone you would realize \$2.5 million in savings, looking at some of the lower-cost centres in the United States. It could even be higher than that.

Bellwood also has space available in our centre to expand. We have beds that are ready to go. The rooms are furnished. We could expand to 70 beds and we could expand 70 outpatient spaces over the next few months if we could work out an arrangement to do that.

Just before I turn it over to Frank to talk to you about the cost saving involved in funding those 40 and 70 beds, because we are looking at a potential of \$11 million, I would like to just conclude by saying that the resolution of this problem is in your hands. It is your decision to implement some type of policy whereby the civil service is able to work with the private sector in health care, which has a reputation and a history of working with this government, to provide this service at home rather than purchasing the services in the United States. We can do that. Every day we refuse to make a decision to take some action is costing us more and more money.

If I could just ask Frank to share with you the last schedule on the document that was handed out, we will very quickly show you what can happen on an annual basis.

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**The Chair:** Before you do that, you have told us that Bellwood was founded by the person who founded Donwood.

**Ms Bell:** Yes.

**The Chair:** Donwood is a separate entity, is it not?

**Ms Bell:** Yes.

**The Chair:** Is it still operated by Bellwood?

**Ms Bell:** No. Donwood is a special public hospital. In order to avoid any conflict of interest, we removed ourselves from Donwood to set up the new expanded service.

**The Chair:** So the Donwood is a public hospital?

**Ms Bell:** Yes.

**The Chair:** But the same principles that are used in Bellwood obviously are used in the Donwood.

**Ms Bell:** That is correct.

**The Chair:** What is the occupancy of Donwood?



**Ms Bell:** Donwood has 47 inpatient beds. They treat about 24 patients a month on a day-treatment basis. They also have an evening clinic. The Donwood has been using temporary quarters for over 20 years, trying to get money to expand.

**The Chair:** But they are a public hospital.

**Ms Bell:** Yes.

**The Chair:** So there is no question of licensing beds; the beds are already—

**Ms Bell:** Yes.

**The Chair:** Is it paid for through OHIP?

**Ms Bell:** Yes, it is paid for through the health facilities branch of the Ministry of Health.

**The Chair:** So if a person can get in, it is paid for by OHIP.

**Ms Bell:** That is right.

**The Chair:** Just to clarify, in the Bellwood scenario, your being a private facility, only 12 of your beds are accessible by people who have nothing other than OHIP.

**Ms Bell:** Twelve of the beds are insured by OHIP, yes, through the same branch, the health facilities branch.

**The Chair:** So that people who are poor and have no visible means of support but do, thank God, have OHIP could have access to only 12 of those beds.

**Ms Bell:** They have access to 12 of those beds. The problem too is that not all of our services are paid for by the Ministry of Health, so there is a fee for the long-term follow-up support program as well as for the family services program. Those programs are funded at the Donwood, but they are not funded at Bellwood at the current time. If all of our beds were insured, we would not have to charge for those services. There are economies of scale that would result.

**The Chair:** I just wanted to clarify that because I was not sure I was clear, nor members of the committee.

**Ms Bell:** I would like to turn it over to Frank Fuernkranz. Frank is our vice-president of finance and administration. He put together the table that you have on the last page of the document.

**Mr Fuernkranz:** Good morning. I will just run you very quickly through the document referred to as appendix A, "Comparative Costing."

Twelve of our beds, as Ms Bell has stated, are globally funded through the institutional health division of the ministry. That works out to a per diem of about \$300. We have 40 beds under our wing, as Ms Bell pointed out. We are operating generally at around 25 to 28 beds. On this schedule, we have assumed that under current capacity the 40 beds were fully occupied. Each bed, at 365 days, works out to 15,042 patient days. At our global per diem, that works out to \$4,513,000. The comparable figure for some of the lower-priced US hospitals works out to \$450 a day. Using the exchange rate of 1.18, that works out to \$7,986,000.

**The Chair:** You could probably double that, I would think, because \$450 seems to be awfully cheap.

**Mr Fuernkranz:** Yes, some of the psychiatric hospitals are as high as \$1,100 and \$1,200 a day, it is quite true, but we have used a modest figure.

The next line is "Potential Expansion." There are 70 beds available within the facility we are in. We are tenants in a large, licensed, accredited nursing home. It has a retirement home in it as well. There are a lot of empty beds. Another 70 beds would be immediately available. They are furnished. Using the same logic, they would yield another 25,550 patient days which, at \$300 a day, would cost \$7,665,000. I have used just a straight extrapolation there. There are no economies of scale built in there. I think 100 beds are significantly less per patient to operate than 25. The comparable cost to a US facility would be \$13,568,000. The annual saving, therefore, on that expansion would be \$5.9 million.

If you would just drop to the third line, at Bellwood it would have cost \$12,178,000, and that is including the aftercare and the family program. At a US hospital it would cost at least \$21,554,000. Now that \$12 million is with accountant's arithmetic, but it is really business sense. Based on that 110 beds, it would create 210 to 300 jobs. In the addiction field, \$25,000 to \$35,000 is average, depending on their qualifications. The payroll, therefore, would be about \$7.6 million. Federal and provincial income taxes would generate \$2 million in personal income taxes, which would go back into the coffer, only about a third of it into yours, ladies and gentlemen, but nevertheless it would be \$2 million back into the Canadian economy.

So that cost would be \$10,178,000. That assumes they are all inpatients, as they were treated in the United States. Although they were treated on an inpatient basis, clinically all of them would not have required inpatient treatment. Day patient treatment is significantly less costly than inpatient treatment.

**The Chair:** But it also, I gather, includes follow-up, which is not the case in the United States.

**Mr Fuernkranz:** Yes, that is right. Some of the US hospitals are providing follow-up through local agencies. Some of them are referral agents and some of them are legitimate counselling services. In our case, we provide up to a five-year follow-up.

I guess that is the extent of my comments.

**Ms Poole:** First of all, thank you for coming today. Your presentation has been very helpful to us in focusing on the depth of the problem.

In your brief, you mention that out of the 40 beds you have only 12 receive any funding whatsoever through the Ministry of Health. You also mentioned, earlier in the brief, that the basic problem is that you cannot compete with the American system because the Ontario health care system favours the American institutions. I just wanted to follow up on that. Is that because you are being capped, you are being told only a proportion of your beds are being funded by OHIP, while patients going to the United States simply need a doctor's referral and then they can go to any of these institutions and be automatically reimbursed for 75% of the cost? Is that the major factor in the lack of competition?



**Ms Bell:** It is the major factor, because they write off the other 25%.

**Ms Poole:** That is what we have heard.

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**Ms Bell:** Yes, they write off the other 25%. If they did not write off the other 25% our non-insured fees would compete, but because they write it off the treatment in the United States is essentially free and ours has a fee, so we are less attractive. In addition, they can not only write it off but pay a brokerage fee and fly the people down, because of their significantly higher per diem rate.

The third component is that the Americans bill on a daily basis and they are paid for on a daily basis, whereas hospitals in Ontario receive a global budget. So there is a capping, in a sense.

**Ms Poole:** Is the Donwood the only public institution that deals with drug and alcohol rehabilitation? Are there others in that situation?

**The Chair:** You are talking about private as opposed to public?

**Ms Poole:** Yes, private as opposed to public.

**Ms Bell:** The Donwood is not private; it is a public hospital.

**Ms Poole:** I am sorry. That is what I thought I was asking. Are there others like the Donwood?

**Ms Bell:** There are other treatment centres in the province—some are hospital-based and some are non-hospital-based—that provide services as well. Most of those services are backed up. That is the problem. That is why we tried to set up Bellwood, because we had such an extensive waiting list and we had people dying on the waiting list.

**Ms Poole:** Could you tell us something about your long-term follow-up? From what you have said and from other information we have, that is one of the problems with the American institutions. Many of them do not have a follow-up system and they certainly do not provide services for people once they are back in Ontario. I think it was mentioned earlier that you have up to a five-year follow-up.

**Ms Bell:** Yes.

**Ms Poole:** Is this additional, over and above the OHIP fee for the 12 beds, for instance? This follow-up would not be included in that fee?

**Ms Bell:** No. We have a situation where we are funded for only 12 beds. None of our outpatient services receives any funding, and the follow-up is an ongoing outpatient therapy program.

We know there is an importance in having long-term support. Basically, primary treatment only sets the stage for people in the area of treatment. They have to make the major lifestyle changes, with support. Otherwise, you will not be looking at a very good outcome. So we provide an ongoing follow-up program that involves them coming back, a minimum of weekly for the first year and twice a month for the second year. Additionally, we are on call up to three years. So it is a total of five years. We send them weekly letters. We have an 800 line so they can call us from anywhere they are travelling across the country.

We run mini-programs every two months so that if people are from out of town, and we do get people from a distance coming to us, they can come back to refresher programs. If an individual is experiencing some difficulty and needs to come back in for two or three days, we will bring him back in for two or three days as a little bit of a refresher. If they live in Toronto, they can live at home and come in during the daytime. If they live out of town, maybe they will have to stay in. We provide that service in order to basically put an insurance plan around your primary treatment, and it has been very effective.

**Ms Poole:** It certainly sounds like it is very comprehensive. The figures in appendix A, I presume, would not include the follow-up program. Do you have any figures for the total?

**Mr Fuernkranz:** No, when you are getting over 40 beds, you could include the follow-up at \$300 a day.

**Ms Poole:** So \$300 a day would include everything then?

**Mr Fuernkranz:** Yes, because there are economies of scale when you get up to those numbers for your facilities and your staffing.

**Ms Poole:** So not only would you be providing the care in a much more cost-effective way, but you are also going to provide more because that follow-up would be included.

**Mr Fuernkranz:** That is correct.

**The Chair:** Is that if you get to the 70 beds or the 110 beds?

**Mr Fuernkranz:** Oh, no. I think you could probably do it at upwards of 50 beds.

**Ms Poole:** So for your expansion you are talking 70 additional beds on top of the 40.

**Ms Bell:** We have the potential to do that. We have the space to do it within our own structure. We would not have to build. We are in a position that we can negotiate that space and it could be implemented very quickly. It would just be a matter of hiring the staff. Right now we are staffed for those 40 beds.

**Ms Poole:** I just have one last question, if that is all right, Mr Chair.

**The Chair:** Mr Cousens is being very relaxed there.

**Ms Poole:** It is regarding the outpatient care. I was under the impression that the Bellwood provides only residential care. Is that correct, or do you have outpatients?

**Ms Bell:** We provide outpatient care. We are not receiving any government support for providing outpatient care, so we absorb that in some areas and in some areas we charge for it.

**Ms Poole:** So for some outpatient care you would actually be absorbing the cost yourself and there would be people who simply cannot afford it who you would try to fit into the program.

**Ms Bell:** If we only treated people on an inpatient basis, from a clinical perspective I think we would be doing a disservice to some of our clients and to the government, because certain of our people do not need to be in a



hospital bed for all of their primary treatment time. As soon as they are ready to go home and look at taking the skills they learned during the day and dealing with family problems and business problems, etc, in the evenings in their home, we want them to do that because it enhances the treatment. There are some people who do not require a hospital bed at all, so we will bring them in and give them an outpatient program, but we receive nothing for that.

**Mr Cousens:** I see you are on the advisory committee on drug treatment that has been established. Your name is among the signatories to the recent report, so that in itself shows something extra that you are giving back to the community. I think it was quite a comprehensive report.

**Ms Bell:** I felt it was a privilege to be on the committee and I really enjoyed it. I worked with Garth Martin on that committee and I am very proud of the documents. There has been a very favourable response around the province from people in the addiction field. They have needed to have someone speak to them for a long time and it has now happened.

**Mr Cousens:** I think we can all take a certain amount of credit for the research and just the preparation of it. I ranked it as one of the better ones that I have seen when I looked at it. My background, though not as close to yours in that work, but I was a therapist for the criminally insane at Oak Ridge. I appreciate the approach that was taken and commend you for it.

I want to ask a couple of questions; one has to do with accreditation. I want to be satisfied that the standards of Bellwood, as an independently, privately funded health service, has equivalent accreditation in the delivery of its services of those who are there, the professionals and the people involved. I do not know what system they use in drug treatment, whether there is a way you can draw a comparison between the level of staff capability that you have versus that in the United States or public institutions in Canada. I am really saying you versus the Canadian public and the United States. Is there any kind of statement you could make on that?

**Ms Bell:** I would be glad to answer that for you. We have a multidisciplinary team at Bellwood. It encompasses physicians, nurses, psychologists, addiction counsellors, family counsellors, physiotherapists, fitness instructors and nutritionists. It is a total health approach and a multidisciplinary professional team. We pay the Canadian Council on Health Facilities Accreditation to come in and inspect us. They grant accreditation on a one-, two- or three-year basis. Bellwood has received, each time it has been inspected, two-year accreditations. We were accredited six months after we received our hospital licence from the government. We have to meet the standards of both the mental health facilities and the psychiatric departments of hospitals, as well as general hospitals, so we meet two standards.

In addition to that, we are inspected every year by the Ministry of Health. I had a very interesting phone call recently where a private hospital in Woodbridge was recommended by the Ministry of Health to contact Bellwood because it needed to develop policies and procedures and

we had the most comprehensive set of policies and procedures this particular member of the Ministry of Health had ever seen. They came down and I gave them our documentation. They spent half a day with us and took many materials back with them, and we were delighted to be able to help them improve their quality of service, and they were not in the addiction field.

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**Mr Fuernkranz:** If I might add, the ministry too is usually a three-man team. There is the leader of the east team, Doug Piercey, and there is a physician, Dr Seaver, and then there is a nurse who comes along as well. Last year they were in twice actually.

**Ms Bell:** Yes, and they come in within 24 hours' notice.

**Mr Cousens:** I appreciate your completeness in your answer. How do Canadian institutions compare with US standards?

**Ms Bell:** There is reciprocity between the Joint Commission on Hospital Accreditation in the United States and the Canadian Council on Health Facilities Accreditation, so they are recognized as equal bodies in both countries.

**Mr Cousens:** It is a very important answer as far as I am concerned, because I think you want to make sure you are on a level playing field when you are comparing US services versus ours. Your answer is an important one.

The second area has to do with the breakdown of people served by your institution. You may not have it handy with you, but native peoples, types of people who are going through, if possible, and then whether you are dealing with alcohol addiction only or you are dealing with cannabis, cocaine and other forms of addiction. Could you give us some sense of your statistics of services?

**Ms Bell:** Yes. We treat alcohol dependence, prescription drug dependence. We treat street drugs, we treat crack cocaine and heroin. We have developed the first specialized treatment program for crack cocaine in the country. We do treat some native people. When the Oka problem was in force last summer we certainly had a number of native people from the Cree reservation in Quebec. I think the largest native group that we treat within Bellwood are Inuit. They send them to us from the Northwest Territories. They are very pleased with the service we have at Bellwood because of the holistic approach. In fact I am going to Yellowknife at the request of the territorial government a week Friday to spend a week evaluating the addiction services up in the territories.

We treat a number of aboriginal people, we treat a number of women, we deal with men's issues, we deal with women's issues. In addiction today you are dealing with a lot of sexual abuse issues, so you really have to have a very broad range of services that you are addressing. We also deal with a number of people with dual diagnosis of psychiatric problems and addiction problems.

**The Chair:** Which is not done anywhere else, I might add.

**Ms Bell:** The Donwood Institute deals with some dual diagnosis as well. However, there are some special needs for certain people with axis 1 psychiatric problems that



really do require specialized care and I would not say that we deal with those people at this particular point. We would be prepared to develop a program to do that if we could get some funding to do so.

**Mr O'Connor:** Do you treat adolescents and youth? You never mentioned them. That is the only reason I ask.

**Ms Bell:** We have treated adolescents in our adult program and we have not been very successful. As a consequence, a number of years ago I approached a treatment centre in the United States that specialized in adolescent care, because we had a number of requests. I will refer people to that American centre and provide follow-up for them. The problem with that service is that there has not been any funding. We have subsidized it for three years and we are targeting to close that service.

**The Chair:** Can you tell us the name of that centre?

**Ms Bell:** I use mainly St Luke's Hospital in Cleveland. They run an excellent program.

**The Chair:** That is for adolescents.

**Ms Bell:** Primarily for adolescents. It is a general hospital in Cleveland that has an adolescent substance abuse program. I chose it because of its per diem rate, the quality of care and close proximity to Toronto. You can drive there.

**The Chair:** Is there any facility in Ontario that you are aware of that has an adolescent program for drug treatment?

**Ms Bell:** I have referred people to Alwood in Ottawa, which is a small program outside Ottawa in Carleton Place. There are services now funded up in Thunder Bay. It has been mainly outpatient, and I understand just recently they received some funding for residential for adolescents.

**The Chair:** Could you furnish to the committee at some later date a list of treatment services that are available in Ontario and those that you are aware of in the United States that appear to be good?

**Ms Bell:** Yes, I certainly could do that.

**Mr O'Connor:** Further to the referrals that you have made, are there any other referrals that because of the economies of scale you have not treated, beyond the adolescents?

**Ms Bell:** Yes. We refer many people within the system here in Ontario, and I have referred adults as well to American facilities if they needed primary treatment immediately. They are all assessed by a physician, they are all pre-cleared through the Ministry of Health in the OHIP office and they are all pre-cleared by immigration prior to going down to the United States.

**The Chair:** Could you give us a list of those names too?

**Ms Bell:** Yes.

**The Chair:** We may be assuming we can get the imprimatur of the mandarins around here. Strike that from the record. I would not want them to see that. We may be visiting some US facilities. We may have to go by bicycle or car, but we are going to get there. So if you could provide that list to our research people, we would be very happy.

**Ms Bell:** I would be delighted to do that, because I will not work with American centres unless I have had an opportunity to evaluate their program and I have an agree-

ment with them that they will send them back to us to do ongoing, continuing therapy.

**Mr Hayes:** I want to make some comments, more than a question. I want to thank you very much for coming here today. You have made a very good presentation. I just have a couple of concerns here. I know sometimes we get a little personal when we sit in some committees or make presentations.

I notice you made the comments about the Premier attempting to assure the corporate community and these things about working with business and industry, and I can say, as a member of the government, we are attempting to do that. We want to do that and we also want to deal with spending in the United States. I think it is very important for you people to know that we are pleased that you are here. We want you here and we invited you here to discuss these things with us.

I just want to make it clear that there are not really the mixed messages from this government. These things that have happened did not just happen on 6 September, and I think people should realize that. That is why we are sitting on this committee and we want to deal with this problem. There are a lot of other sectors in this province that have not had an even playing field and we certainly want to address those situations.

**The Chair:** In fairness, Mr Hayes, I do not think Ms Bell was trying to be pejorative. I think she could have included the words of other leaders if they were in the appropriate position at this time.

**Mr Hayes:** Excuse me, Mr Chair, I am not attacking these people. All I am saying is that you are saying "Mr Rae" here, and I am here to say that the Premier is concerned and that is why we have this committee and we want to work with you. I hope we can certainly settle this problem that we have with cross-border shopping or any other kind of services that we go over there in the United States to receive, when we know that there are services here.

**Ms Bell:** I can support what you are saying as well, because in 1984 we presented a document to the government and at that point we had traced \$3.5 million going to the United States to purchase services for alcohol and drug addiction. We looked at the extent of the problem at that particular time. It has moved from \$3.5 million to over \$40 million.

The other thing that is very interesting is that if you look at the correspondence from the government of Ontario in 1984-86, you have the government logo in one corner and you have the Shop Canadian logo in the other corner. You no longer see the Shop Canadian logo on the letterhead since 1987. We were buying a lot of services in the United States at that point. It is an interesting point of what has happened.

**The Chair:** I think the nuts and bolts of what she is saying is that she is not indicting the present government for that. This is something that has existed throughout all three parties, I would think, and it is our job to get at the root of it and try to solve it.



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**Mr Hayes:** All I am saying is that I think maybe government should start talking more the way I have been talking here today. I do not mind any criticism at all, being part of the government, because we are there to represent people and we are supposed to be able to handle criticism. But I think we may have to educate the public a little bit that all of these things did not happen on 6 September 1990. That is all, and we certainly will work with you. Thank you very much.

**Ms Bell:** I think there is an opportunity at this particular point. We have to understand too that within this country, not just this province, the awareness and the acceptance of alcohol and drug problems as a major health issue has really not been addressed adequately. We are starting to do that now, and I am very hopeful. That is why I said I was proud to be on the committee and I am proud to be here today.

**Mr Dadamo:** I have a simplistic kind of question and it may have been answered. I am not so sure, so I apologize if it is very simple. Has your organization, any other organization in the greater Toronto area or other parts of this province, or any government official ever gone down to study what a Canadian might receive at one of these foundations or hospitals?

**Ms Bell:** I have personally gone down and sent staff to some of the hospitals we work with.

**The Chair:** Can we have a list of those, please?

**Ms Bell:** Yes, I will provide you with a list of those. I know Mr Martin has gone down on behalf of the Addiction Research Foundation as well, to inspect those facilities. He would have some comments on that.

**Mr Dadamo:** Okay, good. Thank you very much.

**Mr O'Connor:** One thing we have not talked about and this is new to me, though, the need for treatment. It is something I have recognized and I am glad there are services available for the people in need. As to the funding for it, we have talked about the proportion you are receiving from OHIP. Could you explain for me other ways patients are receiving funding for the treatment you provide?

**Ms Bell:** Frank, would you like to talk about that?

**Mr Fuernkranz:** I am sorry. I did not—

**Ms Bell:** Who pays the non-insured fee? Where does it come from?

**Mr Fuernkranz:** An increasing number of employers, through extended health plans, pay the non-insured fee now. In some instances families, and in some instances the patients themselves. We try to accommodate them as far as even extending payment terms. But there is an increasing awareness in the workplace actually. Corporations, through employee assistance programs, bill these components into their extended health benefits.

**Mr O'Connor:** Could you relate those figures to us perhaps, so we can see just which areas. Maybe there are some areas that are in greater need. Could you tell us the percentage that are funded through government OHIP and the other portions you have mentioned?

**Ms Bell:** I am not sure if I understand your question, but let me try to answer it in this way. If you have an individual who comes to Bellwood for treatment with an alcohol problem, the non-insured fee is \$1,800, and that person is usually in the primary treatment program for approximately four weeks.

If they are in for treatment of a drug or alcohol and drug, poly-drug, problem, the primary treatment would be seven weeks and the non-insured fee would be \$4,000. If their primary problem is cocaine or crack, the primary treatment is 12 weeks graded down from intensive inpatient to half-days. The non-insured fee is \$8,900. Does that answer your question?

**Mr O'Connor:** It does, but I worry about that individual and the financial assistance. There are some you have mentioned that have, of course, through the government assistance, OHIP premiums paid, negotiated employer benefits, and there are also the other ones. Could you break that down?

**Ms Bell:** Many come to us that might not have the resources to pay, and in that case we would refer them to other facilities here. If it was an emergency situation, we might go through the procedure I outlined to you earlier about seeing if we could get approval to send them to the United States.

It is difficult to say what the numbers are. We get 250 to 300 phone calls a month. We do about 25 assessments a week and we can admit anywhere between zero and 10 people in a week. All of that will not necessarily be based on money. Some of it is based on medical complications referred somewhere else, that type of thing.

If, though, we were able to work out an arrangement with the Ministry of Health that would take the current daily rates it is paying us and expand it on a wider basis, we would no longer have that problem.

**The Chair:** Really what you are talking about, Mr O'Connor, is shuffling money around. If you do not pay it now for this service, you will pay for it in the correctional system, in crime on the streets, in family violence and the whole shemuzzle. So it is good planning really.

**Mr Cousens:** Is there any part of the cost you are charging the patient recoverable from the Ministry of Health where doctors or other professionals' fees are claimable through their own professional services under OHIP?

**Ms Bell:** I guess the only cost, other than what is paid for through our global budget from the Ministry of Health, would be the doctor's billing for the medical work in the program.

**Mr Cousens:** So only the doctor?

**Ms Bell:** Only the doctor.

**Mr Fuernkranz:** That is not part of the \$1,800. Was your question, "Is any part of that recoverable?" No.

**Mrs MacKinnon:** I started out okay there, I got confused somewhere along the way. Are you telling us that only a percentage of the cost is paid by OHIP? I thought, when I go to an accredited hospital, I do not take anything out of my pocket.



**Ms Bell:** OHIP does not pay for the continuing therapy program or any of the outpatient services at the present time at Bellwood.

**The Chair:** Even if it is a licensed bed?

**Ms Bell:** No, it pays for the licensed bed only.

**The Chair:** Okay, but that is what I am saying. Even if it is a licensed bed, the aftercare has to be paid for by the patient. Does that answer your question?

**Mrs MacKinnon:** I am still confused. I have had to take physiotherapy. I did not pay anything for it, it came under my OHIP.

**The Chair:** You will find historically that some people were funded and in fact you will find some physiotherapists who cannot get into that program. I think that is the case anyway. But these were people who were funded before the gate shut and they are funded. With these people here, I guess the services outside of that are not contained in any fee schedule in OHIP. Would that be about what it is?

**Ms Bell:** I must reiterate that it is very confusing. The whole thing gets very confusing.

**The Chair:** There are a few envelopes around, you see, different envelopes. That is what it is all about and if anybody ever puts them all together, they might get someplace.

**Mr Hayes:** I had a friend a number of years ago who went over to Brighton, Michigan, for alcohol treatment and one of the reasons he had gone, I am sure—he just left and as far as others were concerned, he was on vacation—was just a case of not being embarrassed with his fellow workers; he was in a pretty high-level job. I believe that was his choice to go over there.

Do we have any statistics on people saying, "I'm going to go to Michigan or Minneapolis or wherever"? Are the doctors actually recommending they go to these places? What I am trying to get at, is there encouragement from other fields or other areas to say, "You go here, and you there," rather than going in Ontario? Brentwood Recovery Home for Alcoholics was a few blocks away from his house and he could very well have gone there, but instead went to Brighton, Michigan. I do not believe it was considered a better facility or better treatment than Brentwood, for example.

**Ms Bell:** At this particular point, from my understanding, there are starting to be some checks and balances put into place, but I do not believe there has had to be a requirement in the past that it was a doctor's referral. Basically, people could go on their own. Mr Martin might be able to answer that in a little bit more detail as well.

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**Mr Hayes:** A concern I have had is that several of these people are probably going over, but not necessarily from the doctor referring them to these places. They may be saying, "I want to go there." The point I am trying to make is they did not really have to go there.

**Ms Bell:** I do not think they have to go there, but one of the problems is if you have somebody recognized in the business community as having an alcohol or a drug problem, they are an occupational hazard if you are working in a plant, and we have cases and laws around health and safety

that we have to respect. If an employer is going to refer somebody for primary treatment, a bed is required and there is not a bed available and you have to wait for six weeks or whatever for a bed, the employer has to put that individual on sick disability for six weeks and hold him, then give him so many weeks off for treatment and then bring him back to work. From a business point of view, why would you not send them to immediate treatment for four weeks, or whatever it is, and get them back to work as quickly as possible?

**Mr Hayes:** That makes good sense.

**Ms Bell:** That is a real dilemma, and there is a lot more awareness and a lot more responsibility in the corporate community about this problem. They want access to fast treatment.

The other problem that has happened, though, is, because we are only learning about this problem, many people insist it has to be residential care, and if it is not residential treatment then it is not good care, and that is not the case. Many people could do well on outpatient treatment or day treatment, and that is the importance of doing a proper assessment. But I think we make a mistake if we say everybody should be treated in exactly the same way. That is like saying everybody who has chest pain has indigestion, and we know some of them might need a triple bypass. So you need a proper assessment.

**The Chair:** We would like to thank you. There was one question I asked of Dr Barkin when he was before us. I asked what treatment is available on an in-custody basis for people within the provincial reformatory system, other than AA meetings, which I know are conducted. What other facilities are available to ensure that when these people who are in there perhaps because of alcohol or drug addiction problems come out through the revolving door they are going to be any less addicted? You do not perform any contract services in the correctional institutions, I gather?

**Ms Bell:** Not at the present time. We did in the 1950s and 1960s.

**The Chair:** I suppose you or facilities such as your organization would be available to do that?

**Ms Bell:** Certainly.

**The Chair:** Have you ever been approached by the former government, the government previous to that or the present government in terms of providing that type of contract service?

**Ms Bell:** As I said, in the past there was a program run by Dr Bell out of Mimico Correctional Centre. There are a few programs that still exist within the correctional centres, but I believe there is a tremendous need there, when you look at 70% people there are with alcohol or drug-related crime. But we have not been approached recently to do anything in this area.

**The Chair:** Looking at how this whole thing got started in 1946, I want to make it very clear for the record, because there will be discussions about profit or not-for-profit services, it looks as though Dr Gordon Bell got into this not to make \$1 million, but because he had a very



sincere interest in alcoholics. I have to gather that from having started in 1946 taking them into his own home.

**Ms Bell:** If you knew the history of the financial status of the Bell family, you are absolutely right, Mr Chairman. The number of times we edge on the area of bankruptcy is amazing. We seem to be bailed out at the last minute one way or another. We have not made a lot of money. Dr Bell would have made an awful lot more money if he had worked in any other field.

**The Chair:** I know your program is excellent. I practised for 30 years in the criminal courts. We could eliminate 80% of those people from the courts if we could find effective treatment. The times we have scurried around to try to find a bed for somebody is absolutely immoral. But Donwood and Bellwood provide an excellent service, and I think it is more a service of the heart as opposed to a service of economic empire building. At least that is my experience.

**Ms Bell:** Absolutely. If you look at our investors, as I said, the Sisters of St Joseph and pension funds and that type of thing, they are not looking for huge returns. But they would like maybe to get at least what you would get at the bank. It only makes sense.

Basically the reason we set up Bellwood was to try to do something to expand the services, because there had been such waiting lists, and we could not raise the capital to expand at the Donwood Institute. If we can work out a way to work with this government to continue moving ahead and working with other agencies—because there are many other agencies that are doing very good work as well. I do not think we have all the answers, but we have some and we would like to be part of the solution.

**The Chair:** Okay. Finally, I thought it was mentioned that you operate on a lease basis out of a nursing home?

**Ms Bell:** Yes. We share the building with a nursing home, a retirement home, general physicians' offices and a couple of laboratories, and we rent space.

**The Chair:** My reason for asking that was I chaired the select committee on health, and we were discussing for-profit and not-for-profit, and the allegation was made—I think quite unjustified in all cases, maybe in some cases—that the reason not-for-profit was preferable to for-profit was that the for-profit people were simply in it to speculate in real estate. Whether you like it or not, those were the comments that were made. I think it is very important that we be clear that the services provided by Bellwood and Donwood have to be looked at on their merits and not on the basis of whether they are for-profit or not-for-profit. We have a real problem in Ontario, and if we do not deal with it, it will be like the streets of New York.

I want to thank you very much for coming, and we hope you will come back after we have either motored to Buffalo—bicycled or whatever—but we are going. We are going if we have to get there on our own. We would appreciate receiving from you those areas you say we should visit. We want to come back knowing what they have to offer, with a hope that we can have some direct input in terms of making the situation better in Ontario. So maybe you will come back at some later stage for us.

**Ms Bell:** I will come back any time you ask me to come back. I want to thank the committee for inviting me to be here today and for the support and the interest in this area. I think it is key for the citizens of this province.

**The Chair:** Could I just ask one final thing? This may help us at the Board of Internal Economy. Is there any benefit to us, as parliamentarians, in visiting some of the exotic places like Columbus, Ohio, Buffalo and Cleveland?

**Ms Bell:** You do not want to go to Laguna Beach?

**The Chair:** If we did that, they would accuse us of trying to get to the sunshine. I have to ask you, and I am going to ask Mr Martin the same thing, is there any benefit to us in actually seeing some of the selected areas, to bring them back to the balance of our colleagues?

**Ms Bell:** From the perspective of increasing your knowledge and your awareness, I think it is very important. I think the fact that this group is meeting here and you are discussing this is very important, because as I said, the decisions here have to be made at a policy level so that civil servants know how to implement properly and do something that is going to be creative for this province. I think that, if you are going to go to the US, you should certainly come and take a look at some of the services you have here as well.

**The Chair:** We are going to do that first.

**Ms Bell:** You are more than welcome to come to Bellwood, and I am sure you would be more than welcome to come to many other treatment centres in the city.

**The Chair:** That was our intention, I suppose, today. Thank you very much, and we invite you back again at some later stage.

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#### ADDICTION RESEARCH FOUNDATION

**The Chair:** Garth Martin, could we have you come forward now, please.

**Mr Martin:** Mr Chairman, ladies and gentlemen, thank you very much for inviting me here. I appreciate the opportunity to make a few comments. My background is having spent about the last 18 years or so with the Addiction Research Foundation. I have been in clinical practice involving research and treatment administration and most recently chaired the provincial advisory committee on drug treatment and also shuffled off to Buffalo in 1985 at the request of the Ministry of Health with a couple of colleagues from the foundation to look into the quality of programs at that time, when this issue was also of some concern. It is not a new problem, but certainly it has become a much more substantial problem in terms of the amount of money involved in the last couple of years.

In the interest of time, let me say first that I have brought along a couple of documents: one, Drugs in Ontario, which would give you sort of an overall perspective of the issues of alcohol, drugs and tobacco in the province, and two, a position of the Addiction Research Foundation based on its submission to the task force of parliamentary assistants that went around the province and conducted public hearings on the advisory committee's report. I



would be happy to make those available in whatever would be the most appropriate way.

I will make my comments very brief and try to highlight what I consider the critical points. First of all, I think the problem of United States treatment referrals has two major components: One is that there is a lack of services in Ontario, which creates a need to look elsewhere for services; two, we have very aggressive marketing of treatment services in this province, based on the opportunities available within the current context of OHIP regulations.

Just by way of background, one should understand the circumstances of the private hospitals in the United States, which over the last several years have been coming under increasing pressure because of the growing recognition that residential treatment is not necessarily the most cost-effective approach to dealing with alcohol and drug problems in general, although it clearly has a place. So third-party insurers, which cover most of the costs of people entering these private hospitals in the US, have become increasingly reluctant to fund these programs.

They have begun to limit the number of days they will cover and they have also begun to restrict the number of times they will cover a person's admission to such programs. In some instances, that may be zero; in other cases, it may be one, and so forth. So the occupancy of these programs is anywhere from about 50% to 60%. They are quite desperate, in terms of the need to keep their businesses operating, and a number of these programs have in fact been closing over the years because they simply cannot get clients to use their services.

We should know too that the vast majority of Americans with alcohol and drug problems cannot get access to these programs because there is no one to pay for it. It is only when they have access to the kind of health insurance regulations that have previously been in place, or their own third-party insurers, who have become more restrictive, that the Americans can make use of these programs.

A second point I would like to make is that the distribution of clients who go to these programs seems roughly similar to the people who use programs in Canada. So it is not clear that there is any one particular type of client who is most likely to be going to US treatment programs. Distribution by age, at least, is very similar. There are no complete data available to us in order to be able to look in more detail at the types of clients who are going there.

I would also reiterate, as my third point, what Ms Bell has already said: there is clearly no evidence that American treatment programs are more effective than Canadian programs. The principal reason for people going there is generally one of accessibility, that they can get into a bed, often within 24 hours. There are other considerations as well in some instances, such as a particular preference for the type of program. But also, to a large extent, there is a substantial marketing factor and a very active recruitment of individuals is taking place.

These programs are a good deal more expensive, which has already been pointed out, and I think that one of the things we have to be very conscious of is that the overflow of the Ontario system is into the most expensive treatment option available. So to the extent that we cannot

manage these individuals in Ontario programs, they spill over into the most costly type of treatment.

For example, if one takes into account that there are approximately 217 programs in Ontario that treat individuals with alcohol and drug problems, which are funded to the tune of roughly \$77 million, the cost of \$40 million to treat 3,400 people amounts to something less than 5% of the cases absorbing more than 30% of the total cost of treatment. The \$77 million spent in Ontario is the amount involved in the treatment of the 60,000-plus Ontario residents who are making use of Ontario services versus \$40 million for the 3,400 individuals who are making use of US treatment services. So we have to be very conscious that the way this problem is spilling over, in terms of the absence of adequate capacity for treatment here, is at considerable expense.

Finally, I would say we also need to be conscious that in the context of addressing the problem, the solution is not simply to replicate the same kinds of programs that are there. We do know that a large number of the people who are going there probably do not need residential treatment. There is certainly a growing consensus in the treatment outcome literature that, for the majority of individuals, outpatient treatments are equally cost-effective.

So one would want to see, in expanding the service system in Ontario, some emphasis be given to expanding in the area of making more outpatient services available, primarily because, with limited dollars available for such expansion, we can be helping a lot more people on an outpatient basis.

In the short term, in terms of things that need to be done, we do need an expansion of services in the province. Changes are needed to the OHIP regulations because they are clearly being exploited. But we need to introduce the changes in a manner that will ensure that people do not get hurt in the process, because we have to bear in mind that there are clearly people who are going to the United States for treatment because it is the only option available to them.

While on the one hand there are serious exploitations of the system, there is also a great need. We have to balance the response in a manner that makes sure it is sensitive to meeting that need in the short term until the ultimate solutions are in place. Perhaps I will stop there and leave it open to questions.

**Mr O'Connor:** In regard to outpatients and the funding problem, I know when we talked to our previous guests here, they referred to some of the follow-up needed. Is there is a problem in the follow-up? Is it adequate? Are the patients receiving the correct amount of treatment? Is there a problem there because of the funding?

**Mr Martin:** I think I will give two separate answers to that one. One would be that in terms of people going to the United States, there are potentially problems because a good number of them do not necessarily get good follow-up at all. So the costs that are billed to the OHIP system, while ostensibly in some instances covering a follow-up, do not in not all instances do that. It covers the full range from people who come back to nothing to people who come back to a well-established follow-up plan.



Within the Ontario system, generally speaking, residential treatment programs that are funded publicly through the Ministry of Health or the Ministry of Community and Social Services would have the follow-up components of those programs funded.

**Mr O'Connor:** Trying to access the treatment needed as quickly as possible, for example, for employers who recognize there is a problem in treating it, the end result is more cost-effective if a good employee is retained. In trying to access fast treatment, if the treatment is not available in Canada, then they are referred to the US. Are there any ways of following the numbers for cost-effectiveness for the sake of the employer and the patient as well, to make sure this is the correct treatment and the follow-up takes place?

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**Mr Martin:** I think the critical point is making sure some comprehensive assessment has taken place that ensures the needs of the person are clearly matched to residential treatment. In a number of parts of the province, for example, that occurs very effectively. We have a system of assessment and referral standards across the province and there are all sorts of other public centres that provide that kind of comprehensive assessment.

To the extent that this would occur, then a very carefully considered clinical decision would be made as to whether or not residential treatment was the treatment of choice.

**Mr O'Connor:** In trying to access the treatment as quickly as possible, do you feel there is a problem of a person receiving incorrect treatment when perhaps outpatient treatment and a more comprehensive follow-up system would be more effective than trying to have the person put in a residential program as quickly as possible?

**Mr Martin:** That becomes a bit of a dicey issue. I think there can be a tendency to put a person into a residential program because it is immediately available and no outpatient program is available, which of course makes it a much more costly solution. It may be just as effective for the individual. The reason outpatient treatment is more cost-effective is not because it works better; it is because it is cheaper. What may be happening in those kinds of circumstances is that in the interest of immediacy a person is being dealt with in a more expensive way than would otherwise be necessary.

**Mr Cousens:** It would be helpful for me to understand what I saw as a lack of emphasis on research priorities in your overall report. One of the worries I have is that we still do not have it together. I do not personally; maybe you do with your background. There is the lack of spending on research to develop the model to have a realistic assessment and whether or not you have achieved certain realistic objectives along the way. You have addressed some of these concerns on it. There is no reference in the report that came out on existing dollars for research in this area and where it should be, where it has been. Do you have any supplementary information on that aspect of the report?

**Mr Martin:** I do not have supplementary information with respect to the expenditures. I certainly share your concern. I think it was not the intention of the advisory committee to underestimate the importance of research.

Certainly, wearing my Addiction Research Foundation hat, that is hardly the view of the foundation.

**Mr Cousens:** I know that.

**Mr Martin:** You are absolutely right. There are important areas that we need to be researching because we do not have the answers. We tried, from the perspective of the treatment system, to capture what seemed to be some of the more critical areas with respect to operating the service delivery system now, such as trying to identify the characteristics that would help us know when to use residential treatment versus outpatient treatment and trying to get more sophisticated with this whole notion of dual disorders which, on the one hand, can be exploited and is being exploited within this context of people saying: "Oh, here's a special kind of problem. They have a special kind of need and they must go to this special program in the States." It becomes part of their marketing ploy. At the same time, it is a legitimate clinical issue and it needs to be addressed because it has become increasingly clear that the combination of substance abuse problems and other mental health disorders is part of the difficulty of achieving better outcomes.

**Mr Cousens:** I do not know how this will fit in. It is one of my pet peeves, a concern that I have. I think your answer is a good answer, it is a fair answer. When we are dealing with such a huge problem and so many areas of difficulty just in the delivery of it and so on—I do not want to take away from the other emphasis of the report, but we in our society have to understand that there has to be more upfront investment. We are seeing it in so many other areas. If you have made the money and if you have invested the money into proper research, then you are going to be farther ahead later on. Again, it is the chicken-and-egg syndrome, how you do it.

**Mr Martin:** I am certainly happy to hear you say that. Coming from an organization whose principal mandate is research, it is good news. I think sometimes we are concerned that people tend to underestimate the importance of research, so placing that sort of emphasis is certainly nice to hear.

**The Chair:** Just to follow up on that, Mr Cousens, I think part of the problem is that we find that in the less popular disorders, such as schizophrenia, there is very little spent on investigating a cure for schizophrenia because most people think it will never affect them. Alcoholism is the same way. It used to be in the closet; now it is out on the street. Maybe drugs are enhancing the whole situation. If we do not get our act together, if we do not put the money there, not just for what treatments are the best but even investigating whether there is some medical cure to this, we are going to be in deep trouble on our streets in this province and in this country. If we do not do it now, we have got real problems. If for no other reason than survival as opposed to the humanitarian side of it, we had better get our act together.

Having said that, I have to go and speak in the House, so Ms Poole is up next. Maybe she could have the benefit of speaking from the chair while I go in and flap my gums.



**Mr Cousens:** Can I just have a supplementary? Is this all over now? Is your committee disbanded? You have no other charter now. You have completed your work and you are all doing your own things elsewhere, but you have no further involvement with the ministry on the advisory committee.

**Mr Martin:** That is correct. The committee's work essentially was done with the completion of the report. At the same time, it is not all over now because there was a set of hearings that went on across the province and there will be a report forthcoming from that. The advisory committee did play a role in that process. Essentially, the committee's work was done with the completion of the report.

**Mr Cousens:** That could be helpful then. If there is information that comes out of that advisory committee through the hearings across the province, there may be some value for us to have access to that rather soon by virtue of the emphasis we are placing on this out of the auditor's report.

**The Vice-Chair:** I guess one way to get on the speakers' list is take over the chair.

Mr Martin, you mentioned in your opening comment that 5% of the patients were actually receiving treatment in the US and at the same time they were incurring 30% of the Ontario budget related to alcohol and drug addiction. Looking at it in the short term, obviously a certain percentage of this 5% of patients could be dealt with in facilities that are available right now and are simply not receiving OHIP funding.

Do you have any sense of what percentage of the patients—and I am again talking about the short term, I should clarify—if OHIP and the Ministry of Health changed the rules to restrict going to the US, could be dealt with in the short term in Ontario right now with existing facilities, by just increasing the amount of money being sent to them by OHIP?

**Mr Martin:** Do you mean how many of the 3,400 currently going to the US.

**The Vice-Chair:** That is right. Your best guesstimate.

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**Mr Martin:** I really do not know enough about the characteristics of the people who are going to give a very good guess. It would be wildly speculative to say very much. I think that a fair proportion of them do not require residential treatment to begin with, but then we have to recognize that we do not have adequate outpatient services in the province either. We have services that are probably a half to a third of what the per capita capacity is in some of the other jurisdictions, despite the fact that I think Ontario took the lead in terms of recognizing the cost-effectiveness of outpatient options. It is difficult to say, because part of the problem is the issue of putting people in a type of service that they do not need and part of the problem is that the one they do need is not available either.

I think it speaks to the need to try to expand services in a way that makes sure we place emphasis on the more cost-effective options. We need to have a registry that will ensure we can monitor the use of services effectively.

Depending on how one works it through, you can either come up with an answer that says, "We need this many more beds in Ontario," or you can say, "If we only had a shift of something like 15% of the people currently in residential treatment to outpatient options in Ontario, it would free up enough space to make available beds for all of the people going to the United States who currently do need residential beds."

We really do not know where the answer lies in terms of those kinds of things, because there are not enough data available, details of the situation to really fine-tune it so it can come down to a question of where to start. One way of looking at that is to start by expanding the residential services and monitor the needs or start by expanding the outpatient services and monitor what happens with respect to the residential needs.

**The Vice-Chair:** Do we have the resources here in Ontario to cope with this extra 5%? I am not talking so much about the financial resources; I am talking about personnel and trained assistants. Do we have that kind of expertise at hand? I know what we have is very good, but do we have enough of it to cope if the ministry were to change the rules and regulations so that people would have a much greater incentive to stay in Ontario to get their care?

**Mr Martin:** I think we do in the short term. I think an issue that has to be addressed as part of a long-term plan is whether or not we are ensuring that we do have the appropriate kinds of human resources available, but I would not see that as the major impediment to proceeding with expansion. Also, what would be important would be recognition of the need to ensure that funds are available for training in that process. Certainly the Addiction Research Foundation provides many training programs.

**Mr O'Connor:** Sitting on a committee and being new to the Legislature, it seems we get an awfully large pile of information daily. Research provides us with it and, unfortunately, we do not always have a chance to read it all prior to somebody coming before us. I was going through this survey done by the Addiction Research Foundation doctors and I found it interesting that they felt physicians did not always feel strongly motivated to recognize problems. Perhaps if there were a better awareness raised of the issues within not only the doctors but many different areas, we could get treatment before the fact, before it becomes a problem, just by education. Could you comment on the doctors and the lack of recognition?

**Mr Martin:** I think you have touched on a very important area and one that certainly we have been giving considerable attention to at the Addiction Research Foundation. Doctors have not generally had extensive training in dealing with alcohol and drug problems as part of the medical curriculum, so one level of intervention in terms of dealing with this has been to try to ensure that there are more alcohol- and drug-related kinds of content incorporated into the curriculum of the medical training program. That has happened to some extent at some medical schools, but that is an ongoing issue we have been involved in.



Perhaps more pertinent are the sorts of statistics one has in general. I think it is something in the order of 75% of individuals have contact with their family doctor once within the course of a year. If we think in terms of opportunities for early intervention, there are few opportunities as good as that one. That is coupled with growing recognition that if you get at the problems early you get better outcomes.

We also know there are simple strategies, because we have developed some of those in the research program, that can be used by physicians with their clients. This is clearly an area one should be trying to pursue: the increasing involvement of physicians in terms of their ability to identify problems and to provide brief interventions that often are simply only a matter of advice about what to do.

This makes a difference, and physicians are in an excellent position to do these kinds of things. In studies of this type of intervention, the results have been very impressive and, of course, it is not a costly intervention, because these people are seeing their doctors anyway. It is an area we think is one that really should be pursued and we are doing so, and I think your point is very well taken.

**Mr O'Connor:** What about recognizing the need for treatment or approaching the problem before it ever becomes a problem with our adolescents in the school system? Is there a way that we can build an awareness among our teachers, who do spend an awful lot of time with our youth, to make sure they can recognize problems as well?

**Mr Martin:** Absolutely. Addressing alcohol and drug problems has to be a balance between the different perspectives: the prevention, health promotion perspective on one hand; the treatment perspective on another hand; and if there were a third hand, it would be the supply and enforcement regulations dimension. All three play a role, and it is important that they are in some proper balance in trying to deal with the problem. Clearly we need to be doing things in the area of prevention.

In some respects one can look fairly optimistically and positively at things that have happened. If you look at some of the school surveys and adult surveys of use of substances, over the last 10 years there have been declines in the prevalence of alcohol and drug use among the youth in schools and among the adult population in general. That is not to say there are not still enormous problems, but that speaks to the kind of thing you are saying. There have been a lot of prevention efforts over the years and it looks like some of them are having an effect.

**Mr O'Connor:** This is probably a difficult question, but once we get from school into the workforce, we have the employers there. A number of employers recognize it as a problem. An employee is valuable to them and they recognize the training that has gone into an employee and treats that employee. But is there any way that, as legislators, we should take a look at a way of getting the message to employers to make sure that a person with an abuse problem is not being treated inappropriately in that they are not recognizing that what they have there is a person with a problem and not necessarily a bad employee?

**Mr Martin:** Certainly anything that supports the concept of employee assistance programming is valuable. I would take it one step further and emphasize the early intervention dimension of that. It is important, in these employee assistance programs, to ensure the employees have opportunities to make choices before they get into a situation of "Either you do this or you lose your job," because we know, as I said, that early intervention works better than most treatments. They have higher rates of treatment success. So it makes sense to get at these problems soonest, and the employment context is one of the really marvellous opportunities to try to do that.

1140

**Mr Cooper:** Just to carry on this line of questioning, we realize there is an immediate need for expanded facilities here in Ontario. I guess in the past they have looked at it as being more cost-effective to use facilities out of province.

**Mr Martin:** Hard to imagine that would be true.

**Mr Cooper:** The cost of setting up our facilities would have been enormous back then, but now we have developed the problem and it would be more cost-effective to develop them here. But with the prevention things that are coming up, are we going to be spending an enormous amount of money on expanding facilities now and then maybe finding we do not need them in the near future, or is this something that is becoming institutionalized in society now and it is just going to keep growing?

**Mr Martin:** This would be an interesting problem we would all be very grateful to have to deal with, if we ran out of the need for treatment services.

I do not envision it happening too soon, despite the indications of the effects of prevention. I think the thing to keep in mind is, it is usually estimated that at any given time only about 10% of the people with an alcohol or drug problem are seeking service, so it is a bit like if all of the depositors hit the bank on the same day and wanted to withdraw their money it would be in serious trouble. The treatment system would be in pretty serious trouble if all of the individuals with alcohol and drug problems showed up and said they needed help. I do not think we need to be concerned about that at this point in time.

**Mr Cooper:** Okay. I just wanted to make sure we were not just doing a quick knee-jerk reaction to what is happening right now at the time. Let us know that this is an ongoing problem that has to be addressed.

**Mr Martin:** I think we have something like a 2,000-year history of having alcohol problems or other drug problems. There are no signs of—

**Mr Cooper:** I think one thing to point out, though, is the value of what we are looking at.

**The Chair:** I think our knee-jerk is well overdue.

**Mr Hayes:** A question was asked of Ms Bell, I think, earlier about correctional services having treatment facilities there and assessments and what have you. I am not sure if I heard correctly. I think she said we did have it in the 1950s.

**The Chair:** That is what Ms Bell said.

**Mr Hayes:** Is there a reason this was stopped?



**The Chair:** I do not think that is a fair question to ask of either Mr Martin or Ms Bell, because it obviously would have been a policy decision. You would have to resurrect the minister who was in charge then, I would think. I do not know, maybe he can answer it.

**Mr Martin:** I cannot speak to the specifics about that particular program.

**Mr Hayes:** No, the only reason I am asking, Mr Chair—I am not trying to stir up anything of that nature—what I am trying to find out is, there was treatment available at one particular time. Is it a case of it just not being feasible or somewhere along the line just not working out?

**The Chair:** Maybe Ms Bell could tell us, but she will have to come up here so we can preserve her words on the record.

**Mr Martin:** I will just comment in general and I will let Linda Bell speak to that specific program. There are some programs in the correctional system and there are certainly individuals who are part of the correctional system who are making use of the public treatment system. Certainly from the perspective of the advisory committee we felt this was an area that needed a good deal of attention. We know, for example, estimates are that as high as 75% to 80% of individuals in correctional settings are there for reasons related to alcohol and drug problems. I think a lot more needs to be done in that area because there is clearly a strong association between the two problems.

**The Chair:** Maybe we could find out. Do you know why, Mrs Bell?

**Ms Bell:** I was just going to mention what Mr Martin said, that really there still are some services. There were some small services then and there still are some small services currently being provided to the correctional area. I do not think they have stopped. They just probably have not grown.

**The Chair:** They have not kept up to date with what has happened, I would assume is the situation.

**Ms Bell:** That is right.

**Mr Hayes:** So nothing has really changed. Like the Chair says, they have not expanded and grown with the times. I see your recommendations here that they have alcohol and drug treatment programs, and then of course you are asking for funding and things of that nature. I guess what you are saying is that you would like the same type of services in the correctional institutions that you may have in the industry on the outside.

**Ms Bell:** Yes. It makes a lot of sense, if you have somebody in a correctional centre, to do something while he is there, any time you can intervene with someone where he presents, whether it is in the correctional centre, whether it is in the courts with impaired driving charges, whether it is in a general hospital, whether it is in schools, as you were talking about, Mr O'Connor. Those are the recommendations we have within the committee report of how we can approach this problem within the province in a responsible and progressive way that could become the model again. The thing that is so sad is that we were the leaders for many years and we have fallen behind.

**The Chair:** Like the Argos football team or the Toronto Maple Leafs, we have fallen behind.

**Ms Bell:** We can all come back.

**Mr Hayes:** I think it certainly does make sense, because if you have a person with a drug or alcohol problem who is in a correctional institution for two or three years or five years, whatever, and then comes out and start saying, "Well, I had better treat my problem," it would make more sense to treat it there, having the facilities there to do it and the expertise to do it.

**The Chair:** We have become so unprogressive that 10 years ago there used to be a ploy used to get people directly into the Ontario Correctional Institute—Bill 90 under the Liquor Licence Act, I guess it was. If a fellow was charged with his fifth impaired driving and you wanted to get him in there for some treatment, if he would plead guilty to being drunk in a public place they would send him off to OCI and get him in there immediately. Then he would come back and plead to the charge 90 days or 80 days later.

Somebody took that out. I do not know who it was, but it was certainly a step backwards, because it was a vehicle that got you direct access to treatment. If you do not treat these people, it is great political cosmetics to put them in jail, but when they get out they are going to be as bad if not worse. You may have a ticking time bomb there that is going to kill somebody. So I think it is important.

Dr Barkin also told us there was a report in 1985 and we have not been able to find it. It was a review of how to update these services—let's see what I said: "When was the last review of how up to date those services are"—that is the correctional services—"and what, if any, advances have been made in other jurisdictions in terms of providing that service more effectively?" Dr Barkin told us he was told prior to coming into our meeting that the author of the 1985 review, who has periodically updated his own knowledge in that area, could be made available if the committee likes. We cannot find him. We cannot even find the report. Do you have any knowledge?

**Mr Martin:** Who is the author?

**The Chair:** They said you were.

**Mr Martin:** That is interesting. There may be some confusion here that explains the difficulty in chasing this down. I was one of three authors of a report in 1985 that was related to the review of three treatment programs in the United States and also covered issues related to why people were being referred there. It had nothing to do with—

**The Chair:** Nothing to do with correctional things. That solves—

**Mr Martin:** It has never been an area that I have made any major contributions to.

**The Chair:** That solves our problem. We will stop looking. I want to thank you very much for coming. We have one other item that we have to deal with before we adjourn and we will also hope that we can have you back at some later stage after we have roller-skated, bicycled or made our hitchhike to Buffalo, Cleveland and Columbus. We appreciate your coming on this very important issue, one that has to be dealt with.

**Mr Martin:** Thank you for having me.

**Mr O'Connor:** He spoke of a report that he did do in 1985, though. Is that one of the reports that we have requested?

**The Chair:** I think it was. I think we asked Dr Barkin for that report.

**Mr Martin:** If it is any help, I can leave you a copy of that. I have one here with me.

**The Chair:** Yes, that would be appreciated. Maybe we could follow up if we need extra copies. That will be filed.

We are now going in camera to discuss certain aspects of our report.

The committee continued in camera at 1149.



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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 20 June 1991

The committee met at 1011 in room 228.

ANNUAL REPORT,  
PROVINCIAL AUDITOR, 1990

DONWOOD INSTITUTE

**The Chair:** We have before us Dr David Korn and Steven Sharpe. If you would like to make your presentation I am sure there will be questions from members of the committee.

**Mr Sharpe:** We propose, if it is satisfactory to the committee, to spend a few minutes hitting some of the highlights in the written document you have before you, which might serve as a roadmap for any questions members of the committee wish to ask.

Perhaps I could take a moment or two first to thank you, sir, and the members of the committee for the opportunity to appear before you this morning. The Donwood Institute is, as you may know, a public hospital in Ontario. It is unique in that its focus is solely on the treatment and prevention of substance abuse. Since 1967, over 25,000 clients have been served by the Donwood, with a remarkable rate of success. Drawing on that success and on its commitment to excellence in research and program development, the Donwood has moved ahead and undertaken a number of treatment initiatives which showed strong indications of success for efficiently and effectively dealing with cocaine and other substance abuse.

The Donwood has moved away from the traditional view of residential treatment to a more community-based ambulatory program. There are a number of implications of that movement for this committee and for the people of Ontario generally in that it is a far cheaper method of treatment and appears to have a much higher potential for long-term success. The Donwood has developed a number of strong links with others in the field of program development and treatment, and a number of collaborative efforts are presently under way which Dr Korn will describe in a moment or two.

We have looked at the report of the Provincial Auditor and in particular the findings with which this committee is presently concerned. It is clear to us, and I think it is fair to say it is clear to others in the field, that by and large the main advantage available in the United States is capacity rather than competence. There is, in our view, no doubt that the treatment community in Ontario can deliver programming more effectively and at a fraction of the cost of the American programs. Having said that, it would in our view be fiscally and socially irresponsible to simply turn off the tap. A rational plan has to be established to address the problem, a plan we believe is not all that difficult to conceive and simply recognizes the need for short-, medium- and long-term objectives.

In the short term, it is fair to say that we as citizens of Ontario should be able to ensure that the American facilities

being used are delivering valuable and appropriate types and levels of service to Ontario residents. Second, we should expect OHIP to act as a responsible insurer and to pay only the true negotiated rate as opposed to a posted or rack rate for treatment. Third, in the short term, we ought to be able to expect some kind of gate-keeping function to ensure that American facilities and programs are used only when necessary.

**The Chair:** Could I interrupt you for a second? As you know, there has been a change in policy that you cannot just go, you have to get your own doctor's approval to be sent there to be covered. I hope the other members will appreciate I am not saying this in a partisan way at all. Do you see that as a real stopgap to this flow across the border? I can remember the days when, if you wanted to see a specialist and get paid for the specialist under the OHIP program, you had to have your family doctor approve it. But it always seemed to me to be a matter-of-fact thing that he was not going to question. If you thought it was good for yourself, he would sign it. Certainly it is a step that needed to be taken, but do you see this change in policy as a step to stem the flow of people to the US?

**Mr Sharpe:** It is certainly a step in the right direction. It is better than it was before, but it is certainly not going to stem the flow. Physicians are still going to consider the best interests of their patients and to the extent that the physician is not aware of, or cannot make an appropriate connection with, an Ontario facility, he is going to make the referral.

**The Chair:** I did not mean to interrupt you.

**Mr Sharpe:** That is okay. In the medium term, we would propose as an appropriate mechanism the establishment of a province-wide assessment and referral mechanism to ensure there is some body or mechanism aware of the capability and capacity of the Ontario treatment system and can then ensure an appropriate linkage is made, if you will, between client on the one hand and service provider on the other. It may very well be that the service provider, even at that point, will be an American or an out-of-province service provider but at least, as I say, there will be some effort made at responsibly linking the two.

Finally, and in the long term, it is our view that treatment for residents of Ontario should be available to them in their own communities. With that very brief, broad-brush overview, perhaps I could ask Dr Korn to take you through the written document you have in front of you.

**Dr Korn:** Thanks, Steven. I am going to take a few minutes to try and highlight some of our thinking as to a systematic way of looking at this both from a social policy perspective and a pure issue of the most intelligent use of finite resources. In this brief presentation I am going to outline why people are going out of the province, what is



required to stem the flow, what role the Donwood can play and the importance of drug and alcohol treatment.

First of all, the causes of out-of-province treatment: clearly, initially, one has to address the lack of the range of resources necessary in Ontario; second, poor matching of people to programs; third, the marketing and recruiting practices of US facilities; fourth, the increased role played by referral agents, sometimes termed "brokers." The fact that OHIP supports US hospital-based residential treatment and is prepared to pay for it is an important consideration, I think, and also the public perception of a quick fix, that treatment is equated with a bed in a hospital for 28 days and often in the States.

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**The Chair:** Is delay in getting into the Donwood, or any other facility in this province, one of those factors? Would delay be one of the reasons—

**Dr Korn:** That is one of the reasons, but in fact it is much more complex than immediacy. The advantage many American programs offer is exactly what you described. They have a spot available and are prepared to facilitate that. To compare that, as an example, with the Donwood, we can respond at any time to someone with a drug and alcohol problem. We have an outreach capacity and every Wednesday we have an information night where people can come without any referral whatsoever. Having heard what we have to offer at the Donwood, they can at that point sign up for an assessment appointment. There is often one as early as the next day, and the usual length of time is about 10 days. It has to do sometimes with how you design your services. Clearly, with the undercapacity in the United States, they are very responsive to providing immediate service, which is one of the attractive advantages.

**The Chair:** You said the attraction was of OHIP paying for US treatment; does OHIP pay the Donwood the total amount?

**Dr Korn:** About 85% of our moneys come from the provincial Ministry of Health. We are a public hospital so our primary funding is through a hospital global budget. In addition to that we receive some additional moneys from the community mental health branch for our cocaine, women and youth program. Because our physicians are salaried, we receive some money from the alternative payment plan of OHIP as well.

**The Chair:** Does a patient have to pay you anything?

**Dr Korn:** Not a penny.

**The Chair:** Mr Tilson, you wanted to ask something.

**Mr Tilson:** I do not know how you want to conduct this, Mr Chair.

**The Chair:** I guess I have broken the rule by starting off.

**Mr Tilson:** I was not implying that.

**The Chair:** You can ask it now.

**Mr Tilson:** With respect to the lack of range of services, what services, very briefly if possible, are not provided in Ontario?

**Dr Korn:** In Metro we really lack assessment and referral services. We clearly lack short-term ambulatory

programs. Some people feel we lack residential capacity. We clearly lack strong capacity in aftercare. As well, there are some specialized services necessary for particular populations. The most obvious one is the lack of services for young people, both youth and transitional-age youth; other groups are women, cultural minorities, programs sensitive to cultural and linguistic needs. These are all populations that in the 1990s deserve programs appropriate for them. Those would be a couple of examples.

**The Chair:** Is that range provided in the US, for cultural minorities and all the rest?

**Dr Korn:** My understanding is that people are going essentially to accredited public hospitals that offer addiction treatment. The dominant American model is what is known as the Hazelden model based on Alcoholics Anonymous, which is a well-established model, and it is usually designed within a 28-day treatment regime with AA, or another 12-step program as the follow-up. That appears to be the main mode of treatment. But as you can imagine, in a system as complex as that in the United States, there is a huge range of treatment options, from the most sophisticated to really less-than-acceptable quality.

**Mr Tilson:** The question was whether or not the services are provided in the US specifically for cultural problems, people who come from different cultures. Is that specific service provided at the agencies in the US?

**Dr Korn:** They are, but I am not sure whether the services Ontario is using are those same services. Yes, they are available in the States, and there are a few of them in Ontario as well.

**Ms Poole:** I just wanted to explore your statement, "Poor matching of clients to programs." Is this simply that the range of programs is not there, therefore clients get shuffled off to a program which may not be entirely suitable for them? I would just like you to expand on that comment.

**Dr Korn:** There are a couple of issues. First of all, there is a whole spectrum of problems. Implied in that is a whole spectrum of resources. I think, in general, Ontario has done very well in offering a range of resources. We have some major gaps. Again, youth would be the dominant group that many people have pointed to, programs for young people. It is the amount of resources and the availability of those resources, particularly geographically, that is an important issue. As I have mentioned, the most attractive options are essentially ambulatory programs, community-based programs. Those programs, in order to work, have to be in the communities where people live. We have a pretty good range but we do not have enough, and they are not necessarily in the right places.

**Ms Poole:** So by "poor matching," you mean the regional problem. It may not be available in the local community, as opposed to some incompetence or ineptness on the part of the facilities in that they are not able to match up the clients properly.

**Dr Korn:** No, I do not think it is a matter of ineptness. This is a very new and evolving area, the concept of appropriate treatment for appropriate clients. One of the concerns in this whole area is the public perception that



treatment is hospital-based and residential and for a month. There is a much wider range of treatment. The other is that because OHIP is paying for hospital-based treatment, that is the one option provided in the States. There are many other options that are available within the US, but that is the one that OHIP pays for.

**The Chair:** I think I made a mistake in opening my big fat mouth to start off with. I think we should go through it, because we only have a limited period of time and there are a lot of very interesting issues we would like to, more or less, get in point form as we go through. We will save our questions, if that is agreeable to the committee, till the end.

**Mr Hayes:** I was thinking, just browsing through here, that you are relating to some of the questions you have at the beginning. Maybe you could elaborate as you go. It will make it a lot easier.

**Dr Korn:** I will move to the page of why Ontario-based treatment is preferred. It is less costly. There is good data to support that. There is a more complete recovery program, and that is primarily assessment and aftercare. It is closer to community and family and it can be ambulatory and, where appropriate, less intensive. It avoids, I think, the social ostracism of sending people away. This is a stigmatic area and sending people away only reinforces that stigma.

What is needed to stem the flow? As Steven has already indicated, the gatekeeper function is critical. A few criteria that would be suggested are an independent, professionally based assessment; a demonstrated need for residential treatment; all Ontario options are explored first; there is a demonstrated timely need for treatment—an example of that might be a pregnant woman as someone who needs timely treatment—and arrangements for aftercare and community reintegration are planned in advance. Steven has indicated the redirection of US treatment dollars to Ontario for both infrastructure and for program operating dollars and the need to expand both the prevention and the treatment system in Ontario.

The next two pages speak to what we feel are the key areas for program expansion in Ontario: Expand the assessment and referral capacity, particularly in Metro. Broaden the base of treatment in the community. Use physicians, other health and social service professionals better. Strengthen the specialized treatment resources for drug and alcohol treatment. We feel the critical recommendation is the establishment of regional comprehensive centres appropriately located in the province. Develop culturally sensitive programs. Emphasize ambulatory care. Develop public information campaigns so that people can understand better some of these complex choices and then can make intelligent choices. Obviously there is a tremendous opportunity to train health and social service professionals so that they are better in this area.

Steven has spoken to the background of the Donwood. I want to speak, just for the remaining few minutes, as to what we feel we can be helpful with. It was established in 1967, so it has a long tradition in this area. It is an accredited public hospital dealing with prevention and treatment. We have seen over 25,000 people. We have 200 trained

volunteers, actually more than our professional staff. We are predominantly non-residential and we deal with both drug and alcohol problems.

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The flavour of our client profile may be a little different than the one you may have in your mind of the Donwood. For about half the people who come to the Donwood their primary problem is alcohol, for about 30%, prescription drugs and for about 20%, street drugs. About 30% of our people are under 30 years of age, so it is a fairly youngish population. About a quarter are women. About 30% are not working at the time they come to the Donwood. In terms of our geographic mix, we are actually a provincial resource. About 60% of the people come from the Metro area, about another 30% from outside Metro but in Ontario, and about 10% of our clients actually come from other provinces.

Our treatment program is what we call a health recovery program. It is one year in length. Learning new behaviour requires time. Our model is a wellbeing model of recovery and emphasizes a lifestyle free of drugs and alcohol, emphasizes healthy choices, self-responsibility, life skills and values, both community and learning. As to the cost per client for a year's program, our residential program, including detox, costs approximately \$6,500 per person per year and our intensive day program is approximately \$5,000 for a year's treatment. We have done client outcome studies and our success rate is about 80%. I would be happy to elaborate on that point during the discussion.

You can see on the next page that we see lots of people—in our information night about 2,700 people last year. We assessed 1,300 people last year. In fact we are the largest provider, along with the Addiction Research Foundation, of professional assessment services in the province. We have seen almost 600 people in our residential program and another 400 in our day program. We are carrying 700 people in our aftercare program for almost a year's time. That accounts for about 7,000 units of service at a cost of less than \$7 million. It gives you some flavour of the numbers of people that are served.

Recent developments at the Donwood: We have taken the time to prepare a strategic plan for 1990-97 which identifies the target groups we are working in and our core competencies and sets our direction into the year 2000. We have done an environmental scan and we feel we are very well integrated with the evolution of needs of the people of Ontario. One of our very important programs is a recently developed ambulatory cocaine program. It is unique in Canada. It is transferable and we now see about 100 people per year in this program. We have developed a distance aftercare program that emphasizes self-help, relapse prevention and distance education for those people returning to their own community.

We have worked collaboratively on a research proposal with the Premier's Council on Health Strategy's health innovation fund committee, research being a critical component of better understanding of what is going on. We do quite a bit of community outreach. We have held over 100 workshops this past year for women, youth and the workplace. We have expanded our programming to the special



needs of women and I would be pleased to elaborate on that. In terms of the roles we could play, we would be pleased to assist in development of an independent assessment and referral centre for Metro.

Within the Donwood itself, we are willing, able and ready to expand our specialized resources for youth, women, workers and cocaine and in fact to double our treatment capacity over the next seven years. We are prepared to assist in establishing regional centres, to develop standards and evaluation guidelines, to do training and to collaborate in research priorities.

We are awaiting funding on a very interesting Donwood-YMCA joint venture for a treatment program for 14- to 18-year-olds, costed out at less than \$4,000 a year. We have a vocational module that we have developed with the York region Education Foundation and Career Centre, to address the vocational and career needs of young people in our program. We are anxious to expand our ambulatory cocaine program further and could do that in the short term. In order to reach our objectives in terms of expanded appropriate treatment, we need support for enhanced facility expansion. We now have support for replacing some of our temporary structures but we will require additional capital resources, as well as operating resources, to meet the needs we have been planning for.

To conclude our introductory remarks and speak to the importance of drug and alcohol problems: In our view, money is simply and importantly one resource to better serve the people of Ontario. This is a profoundly important problem and it is one of the most pressing social and public health problems of our day. Treatment in the addiction field is really a form of prevention. Some of us in the addiction field express it simply as "Either you pay now or you pay later, but you pay."

In closing, although we are talking about resources and programs and a complex system design, I think it is really important to emphasize the rewards of treatment and successful outcome to the individual, to the family, to the economy and to society. I am very pleased to respond to questions.

**Mr Tilson:** I was listening with interest to your comments on the need for funds. Obviously health has a major problem with funds, whether it be for expansion, staffing, capital improvements, whatever. Is now the time for policies to be considered with respect to user pay?

**Dr Korn:** My personal opinion?

**Mr Tilson:** Personal or impersonal. I realize it is a political issue and it may even be unfair of me to ask the question, but the way you are talking, we are now on the threshold of getting into something needing vast amounts of money. If we are at that stage, whether one is in favour of user pay or not, is now the time at least to look at that subject in this particular area of health?

**Dr Korn:** When you work with people who have drug and alcohol problems, what you find is that most of these people's lives are in disarray. There is a total disorganization of life. With quality treatment, many of these people will come back and be productive members of society. In this population, where a lot of people are using illicit drugs, they are disorganized socially and their families may have

disappeared. To put in place a user fee might be a very significant barrier to treatment. I would be very cautious about that in this area.

**Mr Tilson:** It is all very expensive.

**Dr Korn:** We are spending the money now. The issue is how we might better spend it.

**The Chair:** Reshuffling, I guess.

**Mr Hayes:** Just as a supplementary to the question, really what you are saying, what I hope you are saying, is that for those people who are in need there will be no barriers put in front of them. In other words, we are not going to start saying, "We'll look over your financial situation before we let you into our facility," as they do in some of the American states. Is that correct?

**Dr Korn:** Yes.

**Mr Sharpe:** You are in an interesting position at that point, because you have, by and large, clients who are non-productive members of society but who, one would hope, can be turned into productive members of society through the whole treatment program, who will start earning a living, paying taxes and using less of the social services that the province provides. I would have thought that even on a strict economic analysis, it would make sense to get them through the program and out the other end.

**Mr Tilson:** I just wanted to clarify what I was referring to as "user pay." It seems to me you are suggesting, "Oh well, nobody pays or everybody pays." I was not suggesting that at all. My speculation is that there is a large number of people who cannot afford any fee at all. That would be my speculation, not knowing anything of it. I would also suspect that there may be a number of people who can afford to pay. I do not know if you have any comments on that.

**Mr Sharpe:** If they can afford to pay for alcohol abuse treatment, they presumably could also afford to pay for a triple bypass.

**The Chair:** I think that is right and I think the present public hospitals and health care would not allow that anyway.

**Ms Haeck:** I have two questions. Part of it relates to the kind of discussion we are having relating to your 80% success rate, which I think you wanted to expand upon during your presentation. Also, I want to address the issue of co-dependency, and I see Mr Sharpe smiling here.

1040

I have had a client, a constituent, come in with a referral to New Orleans because of a co-dependency. We are talking about someone who was sexually abused as a child and has a range of problems, drug and alcohol plus some obviously social dysfunctions brought about by childhood experiences.

To what degree can you or any facility in Ontario at this time address that kind of a situation and what do you see as being the kind of models or regimes that might have to be followed to provide that kind of care? How many hours do we have, right?

**Dr Korn:** Easy questions. Let me address your first question as to success rates. I will take a moment and indicate that the Donwood has done really quite high quality outcome research on a periodic basis since the early 1970s



and some of the work done in the 1970s is still looked at as the best quality outcome research in North America.

What we do is follow a client after he completes the program and find out, among other things, what his use patterns have been. That is the simplest way of assessing success. We looked at a group of 100 clients who went through the Donwood in 1987 and followed them one year after completion of the program. About 45% of those people were clean from the time they left the Donwood to the time they were contacted one year later. About another 15% had had minor relapses, less than 15 days of relapse in the past year, and had stabilized abstinent. Another 20% had cut their use patterns to less than 50%, so they essentially had done something positive in terms of their pattern. The remaining 20% had completely relapsed and had a progressive course of drug and alcohol use.

I think those figures are obviously very impressive, but I want to give you some cautions. That is only one measure. We are dealing with human beings here, so other things that one wants to look at in terms of returning people to health are things like their self-esteem; their social skills; whether their coping strategies, their stress management, their resistance skills and their communication skills have improved; and whether in fact their relationships with family, work and community have improved. So there are a lot of other dimensions to look at as well.

Again, as you think about this, you have to realize that the more difficult the population you work with, the less likely you are to have good results. You have to be careful that you are comparing apples with apples. But I think in general it is fair to say that treatment does work. The major issue is selecting the appropriate treatment for the appropriate individual. That is the key concept.

**Ms Haeck:** How does this stand up with the results of the US 28-day residential care programs? The newspaper reports that I have read tend to give me the information that these really are not all that successful. The 28-day residential treatment program seems to give you 28 days away from home but does not in fact give you the long-term strategies or coping methods to deal with the problem.

**Mr Sharpe:** You have hit it on the head because it is only a piece of the necessary treatment. The 28 days may work, but you have to look at what the environmental factors were, what community supports are available for this person when he gets back home, what kind of aftercare you can provide to allow this person to continue in a healthful way as opposed to simply going back to the way he was before he went to the United States for 28 days. One of the reasons we believe that community-based programming is more effective in the long term is that the treatment is done within the community in which the person is going to continue to live, and it deals with all those factors.

**Ms Haeck:** In dealing with some of the psychologists, I have had the panicked phone call at 10 o'clock at night saying: "I've got this person ready. I want this person on a plane. Who's going to pay and how is this going to happen?" I think you can appreciate that there is a feeling we have to do something, but the comment received by me, and this is partly the co-dependency issue, is that there is

no facility available here to deal with that, and also the whole issue of saying, "We have to remove that person from the environment that is allowing him or her to continue in this particular lifestyle."

**Dr Korn:** There is no doubt that there is a small subsection of people within the group of people who need drug and alcohol treatment who need residential treatment. I think the point we are trying to make is that it is not everybody, and you have to carefully select who those individuals are. There are some people who, for their own protection, need to be removed from the community. Some people are so out of control that they need a really structured environment for a period of time. Other people need exactly the opposite; they want to remain within their family and community, and we have lots of successful examples of people who have been through treatment like that.

There is a real concern, as I hear in your voice, about the calls you get in the night about a family crisis. Those are very real. They happen all the time in the workplace. They happen in families. They happen in physicians' practices and social workers' practices. I just want to say anecdotally that there are some people who are using chemicals or are in a social environment where either they need an emergency ward—they are overdosed on a drug or are toxic because of acute use of a drug—or are so dysfunctional that they need immediate removal from the community. You have to know who those people are and you have to respond appropriately. I think there are, on balance, sufficient resources to do that.

Our experience at the Donwood is with a long-standing kind of treatment program. We get a fair number of calls from people who feel that chaotic urgency. Sometimes when we make an assessment that we must respond immediately, I think on balance we do more harm than good. Although the urgency is there, it has to be dealt with sensibly. What I am implying is that it may not always be doing the individual a favour by getting him on a plane and extracting him from his environment immediately.

**Ms Haeck:** I do not pretend to be the professional in that field. If you ask me something about library science, I can give you a whole lot of answers, and we have a few legal minds here who could probably respond about that particular profession in that way. But I do not pretend to be a psychologist or someone who is an expert in drug and alcohol treatment, so when I have someone who hangs out his shingle and says that he is such an expert and that this person needs to be removed, I respond to that professional's assessment of that situation.

Can you comment at this point on the co-dependency issue?

**Dr Korn:** I have been hesitating.

**Ms Haeck:** That is called a politician's ploy.

**Dr Korn:** No, it is complex and quite controversial. I do not claim any particular expertise in this area. I speak on behalf of the work of the Donwood. The Donwood has recognized the issue of family dysfunction for 25 years and in fact has carried out family programming for the entire length of time that the Donwood has been in existence, and continues to do so. We continue to revise our



program. We run programs for adult children. We do family outreach work and we have a family education component. Not only the Donwood, but a variety of other resources, both in the addiction field and more broadly, deal with the area of family dysfunction.

My concern, and I want to be careful about this, is that within the United States system there is clearly an over-capacity. If you think about the economics of for-profit health care, when you have open beds, you think of more ways to fill them. The area of expanding medicalization of health problems, what is known essentially as the diseasing of America, is a real issue that I think we have to be very careful about. So in terms of "we have a problem and they have space," there is a need for caution. But family dysfunction is a critically important area and is often at the root of the problems of many of the people we see.

1050

**The Chair:** The Pied Piper syndrome, I guess. They play the flute, fill the beds and people flock down.

**Dr Korn:** Yes, but it is a legitimate issue in terms of family dysfunction. No question there.

**Ms Haeck:** I appreciate that and I thank you very much for your comments. I should really relinquish the floor.

**Ms Poole:** Thank you for your presentation today. I found your comments very helpful, particularly your suggestions as to what we can do to solve the problem, both in the interim and in the long term. Certainly the Donwood has a reputation par excellence in Ontario, and probably in Canada for that matter, and you are looked upon as a model and a leader in the field.

Now after those nice words, I have some questions.

Looking at the issue of how to stem the flow to the US, you have mentioned establishing criteria, and I assume this would be one of your more immediate responses that could be done in a relatively short time frame. You have said there is a need for independent professional assessment. Are you talking beyond the family doctor, actually an assessment by a team that is trained in the area of drug and alcohol abuse and treatment facilities and is aware of what is available in Ontario? It would seem to me, if you look at these criteria, that your average family doctor would not have the requirements to fill those assessment needs.

I see you nodding there, so I am assuming that yes, you are talking about someone beyond the family doctor or even some specialist—that you are talking about a variety of professional teams across the province that could do this type of analysis. How do you see that set up? Would it be difficult to draw these types of teams together? Would you care to elaborate on that?

**Dr Korn:** Yes, and I just want to go back for a second. One of the things I have said, and I would guess other people have said before, is that one of the real challenges for us is to expand the basic treatment into the community. In terms of what is out in the community, family physicians, counsellors, social workers, teachers and prison people need to increase awareness. The major roles that these people can play in the community are identification of problems, short-term counselling and referral to specialized resources if necessary.

In Ontario now—and I do not think this is widely appreciated—there are 32 formal assessment and referral centres. These are specialized resources that exist. There is a huge gap in Metro. Metro always seems to be the exception to the rule. As I indicated in my remarks, the Donwood does a lot of this, the Addiction Research Foundation does a lot, and more recently there has been the rise of these independent groups that are doing it as well.

I think it is really important that the function be—I want to be careful. This is an area that requires expertise. As long as the individual practitioner has the expertise, there is no reason why he or she cannot do it. On a system basis, it makes sense, at least to me and doctors at Donwood: some independent centre that could carry out information, assessment and referral for Metro, that was clean and had that sense of independence; not a conflict of interest between providing the service and meeting clients' needs and maybe some innuendo of economics as well. It would be very helpful. There is no reason why a competent professional who knows this area could not make that assessment also, but as I think you have indicated, there are not many of them out there. One of our challenges is to increase their skills in the community.

**Ms Poole:** But if you have 32 specialized centres right now that have those assessment skills, it would seem to make a very good base from which to move quickly on this.

**Dr Korn:** Absolutely.

**Ms Poole:** And it would be quite widely spread across the province.

**Dr Korn:** I am going to make an editorial comment. We have in Ontario the Addiction Research Foundation. They have been pioneers in the development of these concepts. It is really through their pioneering work in the English-speaking world that we have these 32 centres now in Ontario. I just think we have to have the confidence and awareness to use them better.

**Ms Poole:** Very good. The other question I want to ask you is regarding the cost of your treatment and health recovery program costs. It says here, "Program costs for clients"—and I assume you are talking about the one-year program.

**Dr Korn:** Yes.

**Ms Poole:** It has residential, including detoxification, \$6,500. That seems incredibly reasonable to me. You are asking less than \$20 a day. Surely, if you have a person in a residential program—you have your treatment program, your accommodation, everything else—it is going to cost more than \$6,500. Are there extras added to this for accommodation fees, other things?

**Dr Korn:** That is total cost. Let me indicate what that cost represents. It does not represent a person in a bed for a year. What would happen is, they would come to our information night and they would receive a professional assessment; they would then move into a preparation phase and would be matched with one of our intensive treatments, either residential, intensive day, or less intensive evening. They are usually in that kind of intensive phase for three to four weeks, sometimes longer, occasionally a shorter



period of time. For the remainder of the year, they return to the community and participate in our aftercare program.

We are very proud of our aftercare program. We have recently taken it apart and put it back together with a heavy emphasis at the front end on relapse prevention. So they are with us for a year, but the intensive part of the treatment is only for several weeks. This is an issue of social learning. People move back to the community; we then engage them in the relapse prevention training activities, coping skills and stress management. They learn and practise those skills in the community and return to us. They keep connected for a year. We have therapy backup, where necessary, if people relapse; and we have a number of specialized resources; we have a lesbian support group, as an example of some special subpopulations that we feel we can respond to.

You have to be careful of what the denominator looks like, but it is very very reasonable and, I think, exceptional value for money, and cannot be done elsewhere.

**Ms Poole:** When it says "the residential program", that would be the three to four weeks of very intensive residential programming, after which they have weekly—or whatever you set up, depending on the needs?

**Dr Korn:** Right.

**Ms Poole:** I could not figure that out. I know you said Ontario is more cost-effective, but \$20 a day seemed quite impossible.

**Mr Sharpe:** Juxtapose that number, though, it means the numbers that you would see as the rates for the US programming, which could be anywhere between—some of the numbers I have seen, \$700 or \$1,000 US per day.

**Ms Poole:** Yes, and this would probably be around the \$200 mark, which includes an extensive follow-up for the balance of the year. That is a major differentiation between your program and what we understand to be the case in the US where follow-up is very limited, if it exists at all.

**Mr Sharpe:** Yes.

**The Chair:** It sounds to me as though the US should be travelling up here to look at our programs, rather than the reverse.

**Dr Korn:** I think one of the real sadnesses is that we do have quite an impressive range of programs. I think we lack the capacity and geographic location for many of them, but it really is sad to see those resources going to American centres when I think we could do so much more.

**The Chair:** I am just going to move on, Ms Poole, to Mr Hayes and then Mr O'Connor.

**Mr Hayes:** Actually my questions have been partially answered. But, dealing with the residential and the detox care and the intensive day program—the \$6,500 and the \$5,000—do you have a figure to compare with the equivalent treatment that you get in the US, and what that cost would be?

**Dr Korn:** Just what we read in the papers. The numbers I have seen are the same as you see. As Steven has commented, on the high end it ranges up to \$1,000 a day US, and some people are there for a considerable length of time.

**Mr O'Connor:** A couple of different things that I have picked up out of this, and one that I have not: One

was recognizing the special needs of the female population and acknowledging that only 25% of your clients are females. Is there a hidden reason for that, or is that actual fact, or are there clients out there that are not receiving the care that they should be receiving?

1100

**Dr Korn:** The evolution of addiction treatment was based essentially on the model of male, middle-class alcoholics. That is how, essentially, the understanding of treatment was initially developed and it was very closely linked to the evolution of social movements like Alcoholics Anonymous and to the employee assistance movement. Essentially you had employed males who had identified problems in a workplace; they were treated in sort of residential settings and then returned to the workplace and very closely monitored. So the programs that were designed were based on that experience. Not surprisingly, they were pretty friendly programs to that particular group.

If you are a woman, you have issues of child care. With most of the women we see, there are abuse issues. There are issues of self-esteem, body image, often complications of eating disorders and addiction, so that the needs of the client population are quite different. Initially the strategy was simply to take this male model and graft it on to other populations like women and youth. It has not worked.

On one hand there appear to be more men than women who have this problem, although Ontario data suggest a dramatic increase in drug and alcohol abuse in young women, particularly in the 20 to 35 age group. So it is an increasing problem and the needs are quite different, child care being a terribly important barrier to treatment. Among the things we do at the Donwood, we offer women female therapists, we have groups that are solely for women, we have a women and violence group, we support a women and sobriety 12-step community group at the Donwood and as I mentioned we have actually initiated a lesbian support group as well. Child care is the big barrier.

At the Donwood we have recognized the issues of women and in our strategic plan we have made a commitment to move towards half of our population being women and half being men. It does not suggest that necessarily that is the way it is in the community, but we feel the needs of women are sufficient that a special effort has to be made to address them over the next five to 10 years.

**Mr O'Connor:** You touched on something that I was going to ask you about. In my previous life I was a factory worker in Oshawa at General Motors. In a plant like that, with a lot of addiction problems, the solution seemed to be the quick fix far too often, and it did not work for obvious reasons: The support was not there. In this evolution, then, can we start seeing some change? Is the referral through networks and programs established by the unions operating as efficiently as it should, or are there problems there, or could there be problems there?

**Dr Korn:** One of our target populations is workers, so we deal with both corporations and unions and social agencies as well, community agencies. I think the rise of the employee assistance movement, employee support, both management-based and union-based, is a terribly positive



movement that has taken place with some very fine quality programming, education, prevention and linking with specialized resources. But it is one of those areas where I think our most attractive population is those people who are productively employed, and who have drug and alcohol problems. They are a very important group to identify early, give appropriate treatment and return to the workplace. I think anything that will foster collaboration with unions, management and treatment programs is really quite important. We at the Donwood work actively with 80 workplaces as part of our outreach activity. We feel it is a very important group to work with—both union and management.

**Mr O'Connor:** One subject you touched on several times was cocaine use. Is it on the increase? Is the treatment here or abroad more costly and why? What is more effective?

**Dr Korn:** Thank you for asking us about cocaine. Clearly, looking at general community statistics in Ontario and elsewhere, there seems to be a gradual but steady decline in the use of cocaine in the general population. Our school surveys show that, and the household surveys done by the Addiction Research Foundation. If you read the police reports you tend to feel that they are not talking about the same world: more cocaine on the streets, more busts, more crime. What I think is happening is that we are really talking about two different populations. In the general population the use patterns are declining, but there are some subpopulations where in fact the problems are extremely complex. Those remain and increase.

An example of that would be the street youth. A survey done, again, by the Addiction Research Foundation shows dramatic cocaine use, about four times higher than in the general youth population, in young people with a large amount of needle use, power drug use. So you are dealing with some very difficult subpopulations.

When I came to the Donwood four years ago, the staff told me they were beginning to see people with cocaine problems—initially people were snorting, but then crack as well, smokable cocaine—and they felt very inadequate in terms of a programmatic response. Without exaggeration, we spent two years looking at the issue of cocaine crimes, looking at the literature, looking at our own experience and that of others and we have now designed and implemented this ambulatory cocaine program. It is geared to 100 people a year.

We started it; our first group was in September. We piloted to the end of the year. It is now on stream and is quite active. It is known on the street, by our understanding, as a good program. It is totally accessible and we are very proud of it. It is unique in Canada. There are very few ambulatory cocaine programs in the States. We have looked and modelled much of our work on the basis of Arnold Washton's work in New York City. When you talk to the program people at the Donwood or at Washton's program in New York, there are lots of good reasons why people on cocaine fail in residential programs and do well in community-based programs. So we are very pleased with this program. We have signalled to the ministry that

we would be desirous to expand the program and we would be very pleased to work with other providers.

**The Chair:** That is why we have the ministry staff here, so that they will hear this. We want to have some response from them.

**Mr O'Connor:** The part that you had not touched on was the dollars and cost-effectiveness. I know you talked about the sharing of research which actually helped promote your program effectiveness. Do you think there is any problem there, why we cannot offer the same—

**Dr Korn:** No.

**Mr O'Connor:** There is none. Okay, thank you.

**Mr Tilson:** On your overhead sheet with respect to stemming the flow to the US, I would like you to briefly return to your thoughts on financing. We hear statistics as to what it costs to send people to the United States. We hear your thoughts as to where we should be expanding in the province of Ontario and what is needed, although obviously there has not been a great deal of detail on the financing of all that. Have you, when you were preparing for all of this or any other topics that you are into, directed your thinking to that line?

In other words, how would you propose that US treatment dollars be redirected to Ontario? How would you propose that that take place? I am talking about a tremendous amount of money that goes to the US; and obviously, to develop what you are talking about here in Ontario is going to take a tremendous amount of money, an unbelievable amount of money. The overall subject of health is obviously in serious trouble around this province and this country, I suppose. We are talking about realistically making it happen. Have you directed any of your thinking towards that?

1110

**Dr Korn:** Sure. I think in the presentation itself I spoke in a couple of different ways to the importance of assessment and referral, so you have a very rational basis for deciding who needs US treatment. People sitting behind us know this area much better, but there are very reasonable ways to provide options, negotiated fees and the use of non-hospital treatment that could diminish those costs where they were appropriate to continue in the States.

I mentioned earlier that you either pay now or you pay later with addictions. It is not usually the kind of situation that goes away. This is fairly simplistic, but you have a pool of resources that are being used in the States. There would be a need to put in place short-, medium- and long-term initiatives. In some cases, there is a need for infrastructure. For example, if you are going to go with regional centres that have enough resources to offer a mix of treatments, that is going to cost money for capital infrastructure.

But I think in terms of some of the material we have presented, that is appropriate in other places as well. You can do this on a cost-effective basis and, where appropriately matched, you can get good-quality results.

Those would be some general comments. In the presentation we spoke to eight areas we felt could be expanded, and clearly in terms of the Donwood's role we have indicated where we felt we could be helpful, both in



the short term and in the longer term. We are prepared to double our capacity over a period of years.

**The Chair:** Have you ever been invited into or attempted to bring those programs into the correctional system? I say that because I understand we have someone here from the correctional system, Dr Humphries. Have you ever been invited in or have you ever tried? That would eliminate the problem of the immediate capital program because you have the facilities or you could adapt the facilities, I imagine, to deal with your programs. Maybe I should ask the question. Would it require less capital to go into the correctional system on, say, a contract basis than to start from scratch and create regional community centres?

It seems to me that in the correctional system that is one area where we have totally lost the ball game. We have the revolving door syndrome, people coming back on to the streets, and many of them when they are out wind up with you or some other facility. If we could get them going in there with a positive program—and your program might fit very nicely. I would like to ask you if you have ever been asked or would you be available to do that if you were given the okay.

**Mr Korn:** It is an area that I think has been neglected, and obviously a really important area in terms of the prevalence of drug and alcohol problems in that population. The Donwood has not had any systematic involvement with the correction system, but we have had a few connections.

Just to give you a flavour of this, Helen Annis, a distinguished scientist from the Addiction Research Foundation who is on our board, is working with her relapse-prevention strategies to develop appropriate programming models for correctional facilities, so that is very high-quality work that is taking place now.

In our aftercare program, we have begun to formally get referrals from probation, and on a couple of occasions we have actually accepted people in our aftercare program who have been treated in the correction system, so there is lots of opportunity there.

In reality, we have lots of experience with people with criminal records. Everyone who has entered our cocaine program has a criminal record, 100%, men and women.

We have not had much experience. We would be pleased to work with corrections people in sharing our expertise. It seems to be a fruitful area.

**The Chair:** Another thing I was going to ask you was, obviously, over the years since 1967, you have taken a lot of case histories of people. Has it been definitively shown that alcoholism has a genetic carryover, that there is in fact a greater chance of it carrying over to the next generation because of genetic factors? Is there any proof of that?

**Dr Korn:** Yes. Actually, in the past five years there has been enormously exciting research at the biogenetic level into the genetics of alcoholism. It is a very hot area of research.

Clearly there is long-standing epidemiologic community-based studies that show that alcoholism does run in families. The risk of getting problems with alcohol or drugs if you come from an alcoholic family are three to four times higher. So there is clearly a family basis.

There has in the past two years been some very exciting genetic research, some neurochemical research, looking at where the place in the brain may be and what the chemical connections are.

But in my own personal view, the interest in genetics, as important as that is in the public mind and in some professionals' minds, is overrated. There is a genetic risk factor; no doubt about it. I would say in the next 10 years we will discover where that is in genetics.

**Mr Sharpe:** Then what do you do?

**Dr Korn:** But then what do you do, as Steven is saying, and it largely again reverts to the issue. You cannot change your heredity, at least not yet, and so it becomes an issue of behaviour, social learning and essentially reintegration in healthy communities.

**The Chair:** You cannot change your heredity, but it is kind of like kids with learning disabilities. If you know it is there, you can then structure your response. If you do not know it is there and you just let it carry on, it then gets out of control and we will all be back to the trees.

Look at New York City. Many of those are out of control because of lack of available facilities, although they seem to have a lot for Canadians. Americans cannot get in because I guess it costs too much, and they are roaming the streets with guns and knives and all the rest of it, and we are fast approaching that scenario if we do not take some real steps.

I like your concept about pay now or pay later. I say that all the time. It is not a question of influx of more money into the system, it is rearranging the money and spending it wisely in areas such as this. Rather than just caging people in corrections, put the programs in there to deal with it.

That is my speech for the day. I have got to go talk in the House. I am sure you will probably all be glad I am gone.

We want to thank you very much for coming. It has been very helpful. We now have people from the Ministry of Health. If you want to stay around and hear what their comments are, then perhaps we will give you a chance to rebut if you feel that they have maligned you or misquoted you.

**Mr Sharpe:** Mrs Denov will neither malign nor misquote.

**The Chair:** I really want to thank you for being here. We had the pleasure of the Bell clinic. Are you people connected?

**Dr Korn:** Not at all. We have a common past in Gordon Bell, who has been a pioneer.

**The Chair:** That is what I thought.

**Dr Korn:** But they are a private hospital. We are a public hospital.

**The Chair:** Our thanks to Dr Bell for having started those two excellent clinics.

#### MINISTRY OF HEALTH

#### MINISTRY OF CORRECTIONAL SERVICES

**The Vice-Chair:** I would like to welcome the Ministry of Health officials back to our committee. We have Dr



Barkin again, Dr MacMillan, and would you introduce your colleagues?

**Dr Barkin:** Celia Denov and Steve Lurie.

**The Vice-Chair:** Welcome back to the committee. We do have a slight logistical problem, which is actually a fairly major logistical problem. Originally we had scheduled you from 11 to 12 today. The Board of Internal Economy has requested the presence of the committee at its meeting at 11:30 today, so we now are expected to do—

**Dr Barkin:** I will talk fast.

**The Vice-Chair:** That is right. I thought maybe you could at least begin to deal with the follow-up matters from last week, see how far we can get, and if possible, we do have time available from 10 to 11 next week on the committee, if it can fit into your schedules or staff's schedules to come back, if there are further matters that cannot be covered today.

**Dr Barkin:** As I recall, there were only two major issues. One was a question of the summary of payments since 1985 to the present time. We did not have the 1985, 1986, 1987 numbers. We have them now, and I will leave them with the clerk, but basically from 1985, 1986 to now, the expenditure on alcohol and drug programs in Ontario has a little more than tripled. I will leave that table with you.

The second set of questions that was posed to us that we could not provide answers for because they related to another ministry had to do with questions around the corrections system. I asked Dr Humphries from the Ministry of Correctional Services to be here, and he is here behind me. If you like, I can bring him up to the dais to take any specific questions the committee might have of him.

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**The Vice-Chair:** Certainly. He can take the chair right here, and then Dr MacMillan can stay with us. Welcome to the committee, Dr Humphries. Perhaps you would like to make some preliminary comments. We assume that you have been briefed by your Ministry of Health colleagues about the questions asked by the committee last week.

**Dr Humphries:** Actually, I would prefer just to respond to any specific questions you may have, because I realize there is a limited time period and I would not like to interfere with Dr Barkin's presentation.

**The Vice-Chair:** Then we will call for questions from the committee.

**Mr O'Connor:** Thank you again for coming. One thing that I do not think we had really touched was the out-of-province use of Ontario facilities. I understand from the parliamentary assistant on the drug strategy that something that was pointed out to them, especially, I guess, around the Ottawa area, was a large number of Quebec residents coming over to Ontario, receiving OHIP cards, returning to Quebec and then getting treatment in Ontario. We have a problem right now of undercapacity in Ontario, and now we have a drain, of course, to one of our friends, Quebec. Could you perhaps comment on that?

**Dr Barkin:** Yes I can, and then I will ask Dr MacMillan to give some of the details in his role as general manager of OHIP. The province of Quebec, at the border between Ottawa

and Hull, has been a source of patients in the Ottawa area for quite a number of years and has been a source of revenue to those hospitals. Quebec in fact pays for the services rendered, at Quebec rates, which are our interprovincial hospital rates. It also pays physicians at Quebec rates, which are considerably lower than the physician rates in Ontario.

Over the last four or five years, the capacity on the Quebec side of the border has increased, and as a result, the revenue to Ontario hospitals from Quebec patients in the Ottawa area has been dropping, freeing that capacity for Ontario patients. That has been a steady decline. It has also left those hospitals with some financial difficulties, because they relied on that revenue for part of their budgetary integrity.

As far as the actual treatment services moving across that border are concerned, I will ask Dr MacMillan to give you those details.

**Dr MacMillan:** The member has asked about people acquiring an Ontario health card and then, using that, looking as if they were Ontario residents and acquiring services. That brings to mind what happened about a year ago when, recognizing in Quebec that Ontario was so beneficial to its residents as to pay for all this American care, a number of people crossed the border, came into care in Ontario, illegally acquired a health number and went off to the United States on the airplane the next day, all at the expense, of course, directly of the hospital and indirectly of OHIP. We were able to track down probably up to \$500,000 in bills on behalf of these patients who actually came from Quebec and were not entitled to hold the card, but we did not pay the bills. We were able to withhold payment and take corrective actions.

Moving from our own family registration business into the unique identifier, we believe we are now getting the skills and tools in order to make certain that we are registering only Ontario residents and not somebody elsewhere in Canada or the United States.

**The Vice-Chair:** Just prior to going to Ms Haeck and Mr Hayes, last week the Chair—the real Chair, not the pseudo-Chair who is here today—Mr Callahan, asked a question about our correctional institutions and what facilities were available to the people who were in the institution particularly because of alcohol and drug abuse, to ensure that when they left, their problems had been resolved and assisted. Before we go to the other two questioners, could we ask you, Dr Humphries, for answers to that question; I think that is what motivated your presence here today.

**Dr Humphries:** Yes, I would be very happy to respond. Thanks to the foresight and guidance of our deputy minister, Robert McDonald, we have moved a fair number of resources internally into this area. We recognize that many of our clients have many different kinds of problems, so we have tried to approach it by developing a multidisciplinary approach across the province.

We have identified 17 catchment areas across the province. Within that we have 250 nurses; over 160 social service workers; and 127 full- and part-time psychologists. We tend to develop a multifaceted approach to deal with these



people. To go with that, we have set up a number of treatment facilities. We have the Ontario Correctional Institute in Brampton, which is a 220-bed treatment facility with programs for driving while impaired and alcohol and drug awareness. At Guelph we have 84 assessment and treatment beds and we have similar alcohol and drug problems there. At Millbrook we have 26 maximum security beds and again the same multidisciplinary approach with emphasis on alcohol and drugs as well.

We have recently set up a new 84-bed assessment and treatment unit at the Rideau Correctional and Treatment Centre, which is at Burrits Rapids near Ottawa, at Smiths Falls, and we have set up a brand-new 96-bed treatment facility in Sault Ste Marie. It is the first of its kind and it is shared with Correctional Service Canada. It is funded jointly by Ontario and Correctional Service Canada, both capital and operating expenses, but it is run totally by Ontario and administered by Ontario, except for freedom of information and national parole.

We intend to set up an additional approximately 80 beds in western Ontario, probably at Burtch Correctional Centre near Brantford. In addition to that we have developed our probation and parole programs and we have also developed these kinds of programs within our young offender facilities.

Remember, because it is very relevant, that the size of the ministry is 51 institutions; approximately 55 open custody facilities; 31 community resource centres, which are like halfway houses; and about 125 or 126 probation and parole offices. We admit about 80,000 people per year behind bars. On any one day we have about 8,000 people behind bars and about 47,000 people in our community programs like probation, parole, restitution and community service orders.

In addition to those actual treatment centres and units I have just described, in all of our institutions we have alcohol and drug problems that may range from AA coming in to an actual multidisciplinary approach, as I have mentioned. In our probation and parole areas, driving while impaired, we have 11 programs at the cost of \$225,600 and we have substance abuse programs. We have 25 of those at a cost of \$758,000. With our young offenders, we really do use a multidisciplinary-program, caring approach because we recognize it is more than just alcohol and drugs. There are often educational programs and behavioural problems involved. It really is the whole child that is looked at.

The young offender is involved in planning the care program for him, as well as a parent or guardian, if such is available to assist. Perhaps I should stop at that point and answer any specific questions.

**The Vice-Chair:** Thank you. That was quite comprehensive. We only have about one minute left. I do not know whether the questions from Ms Haeck and Mr Hayes have been answered.

1130

**Ms Haeck:** It was actually Bob's question that I wanted to ask because I did want to make sure that Dr Humphries got a chance to make a contribution in the light of the previously asked question.

**Mr Hayes:** On the same subject, last week someone indicated that you did not have this facility or the services in correctional institutions. What you are saying, I guess, is that you do have it and it sounds as though it is fairly intensive. Am I correct? Last week, I believe it was, someone mentioned they used to have a program within the institutions and that stopped in 1954 or 1956. I am just wondering whether there has been a change. I think you are saying it is not within those particular institutions but outside. Is that correct?

**Dr Humphries:** Yes, I am saying that rather than decreasing we have increased in this whole area. We do have the capacity now to move out into the community as the people go on to probation and parole.

**The Vice-Chair:** Thank you very much for coming, Dr Humphries. We appreciate your contribution and we will pass the Hansard on to the real Chair so that he will know the question he asked has been answered in full. It appears that—you will notice that as a politician I will not say definitively—the Ministry of Correctional Services has things well in hand with these particular programs.

**Dr Humphries:** Thank you very much and thanks for the invitation. We are very pleased to have been here.

**The Vice-Chair:** As far as the Ministry of Health is concerned, I gather you have provided us with the material we asked for last week. I think part of the reason you were invited back was to give the ministry an opportunity to have a wrapup relating not only to your own presentation but to those from the Bell clinic and also the Donwood.

Would you like the opportunity to come back next Thursday to do that wrapup, or do you feel it would be more appropriate to do it at such time that the committee is moving into the hearings stage later in the summer? I leave it in the hands of the ministry what you would like to do.

**Dr Barkin:** I am at the committee's disposal.

**Mr Tilson:** I do not know whether you have heard the presentation of the Donwood representatives. They made a number of comments. I would be interested in hearing some of the ministry's thoughts.

**The Vice-Chair:** In that respect, then, we would probably have to ask the ministry to appear next Thursday. I hope it does not inconvenience your schedules too much. I appreciate the fact that you have now appeared several times.

**Ms Haeck:** Just one small contribution here. George Mammoliti has headed up an anti-drug strategy secretariat review of programs across the province, and I am not sure to what degree the Ministry of Health has contributed to some of those presentations. Mr Mammoliti would be very happy to come and speak to us about their hearings across the province. In fact, Ron brought out what was happening in this particular area. Possibly we could consider him as an invitee to our committee as well.

**Clerk of the Committee:** As part of the ministry or as an independent?

**The Vice-Chair:** I think you meant as independent from the ministry, is that right?

**Ms Haeck:** Yes, that is right.



**The Vice-Chair:** Thank you for that suggestion. Can the ministry send whatever people are available next Thursday?

**Dr Barkin:** There will be a lot of people available. I have an engagement that I do not know whether I can get out of next Thursday, and normally the committee likes to have the deputy minister present.

**The Vice-Chair:** I think that may be up to the deputy minister.

**Dr Barkin:** If you could give me the time, I will try to juggle the other commitment around. Do we have a notion of the exact time?

**The Vice-Chair:** We meet at 10 o'clock on Thursday morning.

**Dr Barkin:** It will be for how long?

**The Vice-Chair:** Probably an hour.

**Dr Barkin:** An hour from 10 to 11?

**The Vice-Chair:** Yes. If it is more convenient for you to meet from 11 to 12, if that would help your scheduling—

**Dr Barkin:** That would.

**The Vice-Chair:** We certainly would be pleased to accommodate that and we could say 11 o'clock next Thursday. Then if we make separate arrangements for Mr Mammoliti and his group, we could do that prior to 11 o'clock. Is there an agreement to have Mr Mammoliti?

**Mr Tilson:** We have to listen to George for an hour?

**The Vice-Chair:** I knew you were going to say something like that.

**Mr Hayes:** Sometimes I sit here and wonder what direction we are going in. Here we are hearing presentations from the Minister of Health and from the private

sector for the drug and alcohol abuse treatment facilities and also the public ones. At the same time we have another task force, I guess we could call it doing work out here and we are out here.

I think it is very important that we start coming together and make sure we are going in the same direction. We are talking about travelling to look at some of the US facilities. The committee George is on is probably doing the same thing. I am just wondering whether we are not doing a little duplicating here. Maybe we should have both parties together and decide what direction we are going to take.

**The Vice-Chair:** I suppose there are two major differences between Mr Mammoliti's task force and this committee. First of all, this committee is an all-party committee of the Legislature. Second, our mandate is to work with the Provincial Auditor and ensure there is value for money, which may not necessarily be the same mandate.

I do appreciate your comments though. I think it is very important we are not duplicating efforts and information. It would probably be quite helpful to have that presentation from Mr Mammoliti and his committee, but I think we do have a very different purpose. We just want to make sure we are not duplicating resources. Thank you for that comment.

If there are no further comments, we will convene next Thursday at 10 o'clock in this room. Right now we will adjourn over to the Board of Internal Economy.

**Ms Haeck:** Which is being held where?

**The Vice-Chair:** It is being held in the Speaker's office on the first floor, room 180, I believe. I think we are supposed to go en masse. Thank you very much for your presentation and also for your perseverance.

The committee adjourned at 1138.

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Première session, 35<sup>e</sup> législature

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Le jeudi 27 juin 1991

### Standing committee on public accounts

Annual Report,  
Provincial Auditor, 1990

### Comité permanent des comptes publics

Rapport annuel de 1990  
du vérificateur provincial



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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 27 June 1991

The committee met in camera at 1000 in room 228.  
1039

### ANNUAL REPORT, PROVINCIAL AUDITOR, 1990

#### TASK GROUP ON ADVISORY COMMITTEE REPORT

**The Vice-Chair:** Mr Mammoliti, welcome to the committee. As you have probably been told, we are about to investigate and do a study of the drug and alcohol rehabilitation centres, and we thought perhaps in your travels you would have garnered information that might be helpful to this committee. We have about 20 minutes to half an hour. You could perhaps start by making some comments about your deliberations to date and then perhaps have some questions from members. Would you start by introducing the person beside you.

**Mr Mammoliti:** Mary Shantz works at the provincial anti-drug secretariat and was also a participant in my tour across the province on the committee.

**The Vice-Chair:** Welcome to the committee. Please begin.

**Mr Mammoliti:** Members of the committee, thanks for having me here today. I appreciate it. This area is a very important area and I appreciate your looking into it. It is an area that we have been learning a lot about and this tour certainly opened up our eyes somewhat.

In December last year the minister responsible for the provincial anti-drug strategy, Mike Farnan, received the report *Treating Alcohol and Drug Problems in Ontario—A Vision for the '90s*. I am aware that you have all received this report and that Garth Martin, the chair of the Advisory Committee on Drug Treatment, who wrote the report, has also appeared before you.

In order to provide an opportunity for all concerned groups and members of the public to respond to the report, the minister requested that I chair a task group of other parliamentary assistants to hold public hearings and seek written submissions. This group consisted of parliamentary assistants from seven ministries and two secretariats. The vice-chair was the parliamentary assistant for the Ministry of Health.

**Mr Cousens:** Who is that?

**Mr Mammoliti:** It was Bob Frankford.

**Mr Bradley:** Everybody is a parliamentary assistant over there.

**The Vice-Chair:** Mr Mammoliti, if you would like to continue. We apologize for our members' interjections.

**Mr Mammoliti:** Oh, do not apologize for Mr Cousens. It is expected.

From 17 February until 29 April we toured the province and held 13 forums. Because of my own concerns, we held a special hearing at the Ontario Correctional Institute

in Brampton, otherwise known as OCI. We heard presentations from the residents and staff of both OCI and the Vanier Centre for Women, which is just next door. By mid-May we had heard 173 oral presentations, and 245 written submissions had been sent to me personally. In total, there were 275 organizations and individuals who responded to the *Vision for the '90s* report.

I would like to impress upon you the fact that the task group and I, as chair, were very much affected by the consultation process. We met directly with people who came from different situations, backgrounds and environments across the province. Almost everyone struggled daily with the problems of addiction as counsellors, doctors, recovering addicts or alcoholics or they had been affected dramatically as friends or family or had memories of growing up in a family coping with alcohol or drug problems. We listened to people who gave thoughtful, clinical responses that were based on years of direct experience.

We also listened to many who told their stories, which were emotional, painful and yet full of hope. There was a sense of hope that the government did care. There was that sense of hope and it was something I wanted to leave with the presenters and I think we did leave it. It was very emotional; a lot of touching stories about wanting to improve the addiction services in Ontario.

There was unanimous approval of the minister's reaction to the report in setting up the task group. As a matter of fact, we were thanked a number of times for acting quickly and getting parliamentary assistants, for the first time I may add, touring the province and dealing with this particular topic of treatment.

For many of us on the task group, this was an extremely important learning experience. I believe I can speak for most, if not all, the members on the task group when I say we have developed a much better emotional understanding and factual knowledge of the impact of addiction. All of us now feel an urgency and commitment to improving services in Ontario.

Let me explain perhaps the mandate of the committee for those of you who are wondering. The mandate of the committee was basically to listen and to report back to the minister, Mike Farnan. We were out there to lend an ear, we did that and we are just preparing our report at this time. I hope you can respect me when I say my report is not out yet and it is going to be a little difficult giving you the meat of the report. I would be happy to come back perhaps at a later date, after my report is out, to talk about what we heard.

**The Vice-Chair:** When is the anticipated date that your report would be available?

**Mr Mammoliti:** I am hoping within the next few weeks, but that is very optimistic at this point.



**The Vice-Chair:** When it is available, if your staff could send maybe 15 copies to the clerk of our committee, we would appreciate it.

**Mr Mammoliti:** Most definitely. I kept it brief because I know you have a lot of questions. I would be pleased to answer any of the questions at this point, again understanding that the report is not out yet.

**Mr O'Connor:** One thing this committee has shared is the concern we have, not only as members of this committee but as members of the government representing constituents out there who have a problem. Of course, as the standing committee on public accounts, we are concerned about dollars being spent for treatment and making sure the dollars are being spent wisely.

One thing that has come to light from a number of witnesses who have come before us up to now is the fact that the money is not necessarily being spent in the correct way. Far too often people are put into facilities for treatment and the follow-up is not taking place. When money is spent for treatment in US facilities, the follow-up does not take place in many cases, and then the treatment does not have the continuing effect that it should have. Did you get the same sense during your tour that it is not necessarily the inpatient treatment but far more often outpatient and the follow-up that is more needed than the money spent on actual inpatient treatment?

**Mr Mammoliti:** In the United States, as far as the outpatient, you mean?

**Mr O'Connor:** As far as what you have seen in Ontario facilities, because we are looking at the money aspect and we are shipping them to the United States for that in-facility treatment.

**Mr Mammoliti:** I think it is important to mention that we heard a number of people who were concerned about the care in Ontario when we talk about outpatient care. The whole report that we were seeking input on talked about a solution, a way of implementing here in Ontario. Yes, there were a lot of people concerned about treatment in Ontario.

You mentioned aftercare as well. I think it is important to mention that we heard from people who have gone down to the United States and have sought treatment. The experts have told us that aftercare is very important, and even though they are going to the United States, they have a problem with aftercare as well. They are getting that 28-day program or whatever they have to offer in the United States, but it does not necessarily mean they are getting any aftercare in the states either. We heard that. We also heard from individuals from the states who have said that aftercare is available for them in the United States and that is why you are getting these big costs to OHIP.

1050

**Mr O'Connor:** Just one other thing, because I am sure there are many more questions to be asked: In regard to the PAs' committee you were on that went around talking to constituents, I know that looking across at some of the other members of the committee, there appeared to be some scepticism as to whether or not the committee was then going to put together as useful a report as should be. I

look forward to receiving that report because I think it will be a very useful tool. I applaud the minister for assigning you that task and making sure that our constituents out there realize we do think this is a serious problem, making sure that the best care is taking place.

If I could send a message back to the minister through you, when that report is available we would really love to see it because I think the work you have done is very important. It will be very useful to us and we should try to make sure that our report and your report are used as tools complementary to each other, because I think a lot of aspects you have looked at will be aspects that we have looked at.

**Mr Mammoliti:** I am certainly going to take that back and I can quite comfortably say that the report will reach all of you. I would make it a point to give you a copy of my report. But you talked about some of the members on the committee being sceptical about my committee and the seven parliamentary assistants. I think it is important to note the meat of A Vision for the '90s talked about a way of making treatment in Ontario a little bit better, being comparable to if not better than the United States. Some of the recommendations were actually pretty specific in how to do that, and it involved different ministries.

When we read the report we said the best way to do it is to get somebody very close to each of the ministers to let them know exactly what we hear, and what better way than to get the parliamentary assistants involved, so they can report back to the minister? It is consultation and we are very concerned about consultation and making sure that that communication was dealt with. That is why the seven parliamentary assistants were chosen, seven with myself. As for being sceptical, I hope I have made you feel a little bit more comfortable.

**Mr O'Connor:** I appreciate that and I think you have made a very valuable point. I appreciate your coming today, in spite of some members from the third party sitting around reading clippings.

**Mr Tilson:** Mr Chair, that is out of line. I happen to be reading an article on drugs.

**Mr Cousens:** Will the committee be making specific recommendations with regard to treatment centres outside Ontario and the impact of changes that should be made by the government, with regard to that, as it affects our present study?

**Mr Mammoliti:** I think it is safe to say at this point that the committee's mandate was to listen to the public and to respond to the minister, who will then address to cabinet exactly what we have heard during the tour. That was my mandate and that is what we are going to do. As for recommendations from our committee to the minister, no, we are not going to make any because it was not a part of our mandate. If the minister wants to change that mandate, I would be happy to oblige.

**Mr Cousens:** That is fine.

**Mr Hayes:** Thanks for coming, George, and the rest of the people with you. Now that you have seen our proposed agenda for our itinerary for August when we are going to visit various drug and alcohol treatment centres in



the United States, what kind of concerns me being on this committee is that we are dealing with drug and alcohol treatment and probably our biggest reason for doing so is the fact that so many millions of dollars are being spent on centres outside the province. At the same time, I guess the question is, why can we not do it here, spend that money in Ontario and give the same kind of service or better? I want your opinion on this because I wonder sometimes whether in this committee or maybe in your committee with the parliamentary assistants there is a possibility or danger of our going in two different directions or duplicating some of the things that your committee may have already dealt with.

**Mr Mammoliti:** I think it is a good idea to go and visit some of the facilities in the United States, but I caution you at the same time. Even though I think your plan is a good one, ask the right questions when you go down there. Do not get yourselves caught up in a lovely tour with sandy beaches and everything else that is down there.

**Mr Hayes:** Not at these places.

**Mr Mammoliti:** I would strongly suggest you ask the right questions and try to get them to commit to a lot of information that you could use as a committee. If you do that then, yes, I could agree with your going down there; I would recommend your going down there. At the same time, when you come back, I would also recommend that in order to perhaps get a better perspective—and we talk about comparison—you visit some of the treatment programs we have here in Ontario. We would be happy to give you a list of those we have already visited, but I think in your capacity that perhaps it may be a good idea to visit our own as well.

**Mr Hayes:** I know this might be asking a little much of you, but could you or your staff maybe draw up some questions you think would be helpful for us to get the right information to bring back?

**Mr Mammoliti:** I do not think it would be too forward of me to say we could do that.

**Mr Tilson:** There is an article in the Toronto Star this morning, a report from Metro, of drugs killing 568 people over a four-year period. It is a shame. It is a serious subject and it is a shame that yours is not an all-party committee because I think it is something all parties are concerned with. That is the unfortunate part of what you are doing, that members of the other opposition parties have not been allowed to participate in your committee. That is incredible.

I assume your subject will be covering such areas as the Metro report that has just come out and that you will be studying those various reports. Our direction of course is with respect to dealing with US centres and the funding of people who are going to the US centres.

I have two questions. First of all, could you tell us what your terms of reference are? Could you be specific as to what your terms of reference are for what your committee is trying to do? Second, will your report be dealing specifically with the subject of funding to individuals going to US centres?

**Mr Mammoliti:** Could you just give me the second question again, please.

**Mr Tilson:** My first question is, could you be specific as to what your terms of reference are?

**Mr Mammoliti:** I got that one.

My second question is, would you be prepared to provide us with a report that includes the recommendations to whomever you are reporting to? I am not so sure who you are reporting to. I do not know whether your report is going to be made public or whether it is simply to go to the Minister of Health. I have no idea. Whatever recommendations you are doing, and I hope it would be made public, would the recommendations include those with respect to funding to individuals who are going to US centres?

1100

**Mr Mammoliti:** Okay. First of all, let me just say that I have already said this. I do not know whether or not you were reading that drug clipping when I was saying it.

Before I answer your questions, however, I want to talk about what you said first. There was a comment that it was not an all-party committee. Of course, you are going to have to talk to the minister about that, but I explained why it was not and why we felt it important to involve the seven parliamentary assistants.

At the same time, wherever and whatever city we visited we made sure that we told the respective MPP in that particular area that we were coming and that we would be pleased to have that person sit up with us on the committee and ask questions and answer questions at the same time. So as far as participation is concerned, I think we have done a little more than what we were supposed to do as a committee.

Second, in regard to the question on the mandate, I told you that we were there to listen and that the mandate is strictly to listen and to report to the minister on what we have heard from the public, what the public wants in reference to A Vision for the '90s. That is what we are doing. We are comprising a report of what we heard and we are doing that today.

On recommendations—

**Mr Tilson:** But presumably there has been a list of what you are asking the public to provide to you.

In getting back to Mr Hayes's comments as to the issue of overlapping, I want to be certain there is not a certain amount of overlapping, because I would hope this committee, the public accounts committee, is going to be going to Ontario provincial institutions.

I think that, following all of Mr Hayes's questions, the committee is interested in knowing there is not an overlapping. Specifically, someone has given you a list of terms of reference as to what you are supposed to be doing.

**Mr Mammoliti:** Okay. Again, our mandate was to look, and that is why we went out there. Your mandate is a little different, from what I understand. So even though I do not believe there is going to be any overlapping, from what I have seen, even if there were some overlapping, your mandates are totally different. The reasoning behind your looking into this is a little different. You are concerned about the amount of money being spent. We looked at the Vision for the '90s report and we wanted to know



how the public felt about the Vision for the '90s report. That is answering that particular part of it.

As far as it being public, my report is going to be public and it is going to be given to Mike Farnan first, of course. It will be public and, of course, you will have a copy of it when it comes out.

**The Chair:** Could I just stress one thing, Mr Mammoliti. The purpose of this committee is not quite as dry as that we are interested only in the cost. We are interested in value for the money, both from the standpoint of dollars and helping human beings. I can assure you that public accounts has a double purpose in looking at this.

**Mr Mammoliti:** If I may just finish off my answer—and I just want to make sure that Mr Tilson is listening.

**Mr Tilson:** I listened to every word you said, George.

**Mr Mammoliti:** I will say for the second time, we are not going to be recommending any solutions as a committee. That will be up to my colleagues in cabinet and the minister.

**Mr Miclash:** Following up on what Mr Tilson had to say, I too feel the committee would have been maybe a little bit more well rounded had it been a three-party committee, especially after being able to sit on the committee once in Kenora and finding out the very good work it did. I have to commend them on that work and their travel across the province.

However, there was a problem in Kenora. It was a partisan problem where the chairperson of the committee made some very partisan comments which left a very bad taste in the mouths of the chairperson and the people of the Kenora Board of Education. I am just wondering whether that has been explained to the Kenora Board of Education and, even more so, if an apology has been sent to the board around those circumstances.

**The Chair:** With respect, Mr Miclash, this committee is one of the few in this place that is non-partisan. I am not sure that Mr Mammoliti, having come here as a deputant—if he wants to answer it, fine, but I do not feel this is appropriate. We would not ask any other witness that type of question.

**Mr Mammoliti:** I think it is only fair to the member, with him being from Kenora—I do not mind answering it. It is important to mention that we extended the tour for this particular member. He wrote us a letter and said there were a number of people who wanted to give us submissions and there was a deep concern in Kenora. We looked at it and said, "Yes, we should go up to Kenora," and we did.

It is also important to mention the thing he is talking about. It was a little distracting for me knowing that the board of education was holding a forum the same day we were holding our forum. I understand that this was inevitable; there was nothing I could do about that at that point. What I was distraught about at that time was that the previous minister responsible for the provincial anti-drug strategy was invited to speak at the last minute after finding out I was coming up there. I felt that it was a little bit of a blow to us. I was a little concerned and I still am. So in answering the question, I am still concerned about it.

**Mr Miclash:** The circumstances around this have been explained.

**The Chair:** Give him a chance.

**Ms Haeck:** On a point of order, Mr Chairman: I think the question was asked by Mr Miclash. It has been responded to and I think that is really where it should end. If we want to get into a political debate, we can all go back to the House and debate particular pieces of legislation.

**The Chair:** Without the benefit of the clerk, of course, who gives us all our wisdom, I am inclined to think that to preserve what I have always thought to be the integrity of this committee, you are right. I think we have had enough on this issue. That is something, I guess, we could take down the hall. In fact, that is why I am late getting here. I have just been speaking on a motion to try to take some of the partisanship out of this whole process. Good luck.

**Mr Miclash:** I did not make the comment.

**Mr Hayes:** Please don't start.

1110

**The Chair:** Are there any other questions of Mr Mammoliti? I am sorry I did not get a chance to hear what you said, but I am sure I can read it in Hansard.

I do want to emphasize the fact that this committee, I think, to the man and woman, is committed to try to save money for the province. But we are also committed to the fact that at the present time—and we have heard this through deputations from the Bellwood and the Donwood and the Alcoholism and Drug Addiction Research Foundation—the facilities just are not there. That is not a partisan issue. That is, as Peter Trueman would say, reality. That is what we want to rectify, not only there but in the correctional institutions.

**Mr Mammoliti:** Mr Chairman, just as a point of information per se, I was listening to the radio last night and I understand—I have not read that story, but I am assuming that story probably has the same content, which is that there is a light at the end of the tunnel here. There is a positive note to us spending money, in that the whole anti-drug strategy is prevention and education.

I understand the statistics are showing that fewer children are taking drugs now and it has a lot to do with the prevention and education aspect of it in our schools. So there is a good sign out there and I think we are doing the right things by making them aware.

**The Chair:** I should add to this that CBC reported that the police chiefs of Ontario said there are far more violent crimes on the streets and they anticipate much more unless something is done about the whole drug scene. Education is great; that will help the young people coming up. The people who are going through the correctional system who get no or very little treatment at all are coming back out on the street and they are going to be worse than when they went in. I think we have to deal with that.

**Mr O'Connor:** I hope that perhaps you will have the chance to come back later on after we have done our tours and we could share some of the information that we found up to this point. Then, upon sharing the information that



you have collected so far, perhaps it would be useful for us to—

**Mr Mammoliti:** I agree. I think once my report is out and once you have done your thing, perhaps I can explain what my report is about and what we heard, how we heard, who we heard from and that sort of thing. I think it may be useful to your committee.

**The Chair:** Thank you very much, Mr Mammoliti. We appreciate that.

#### MINISTRY OF HEALTH

**The Chair:** We now move on to the next item on our agenda. We have from the Ministry of Health, the deputy minister, Dr Barkin, and David McNaughton. I am not sure we have microphones for all of you. We have asked these people to come back and they have very graciously come back. Are there questions from members of the committee?

**Ms Poole:** If you would like to take a seat at one of the microphones, it would probably be easier for you.

**The Chair:** In fact, if you sit over there, you can run for office. It is just a treat. You would take a cut in pay, but other than that, you will enjoy it.

**Ms Poole:** You should choose your seat very, very carefully.

**The Chair:** Now are there questions from members of the committee? Come on, please. I do not want to have brought all these people over here for nothing.

**Ms Haeck:** One of the things that I am concerned about, and possibly we could get a little more information on, we had the gentleman last week from the Ministry of Correctional Services talking about its particular programs. Following up on the recent comments of the Chair, I guess you have to look at the treatment that is given. He indicated there was a lot more there than I think people in the general public had known about and even a lot of people within the precinct had known about.

The question is, with the treatment that is provided, what kind of recidivism is there and what success rates are there? What does your ministry see as needing to be done to deal with this particular problem?

**Dr Barkin:** You are asking me a question about events and follow-up in another ministry. I am sorry; I did not bring the relevant doctor along. I am sure if we asked him the question, they have their own follow-up statistics on what has happened in the criminal justice system.

I think the general question you posed, that is, the rate of recidivism related to forms of treatment or where they are received, is a very valid question. As best we can determine from the data given to us by the Addiction Research Foundation, where there is a strong and ongoing and continuous community-based linkage, the rate of recidivism is much lower than where there is short-term residential intervention without that community component.

The second answer I can give, at least from the information given to us, is that the likelihood of recidivism for an institutional start with community follow-up as compared with a total community-based treatment system where that is appropriate—and it is appropriate in the vast majority of patients with substance abuse—is probably

only slightly less for the community-based model. In that consultation I provided to you there is continuing community follow-up for both sides.

In terms of the criminal justice system, the substance abuser who finds himself in the jails is a somewhat different candidate for treatment than the one who goes voluntarily, who has not been caught in the process of committing a crime, drug-related or not. In the one case you have an individual who is not there voluntarily and who, because he or she is confined, is also offered and given drug treatment. In the other case you have an individual who consents to and of his or own volition is participating in the treatment program. It would be my estimate that the recidivism rate would be much higher in the former, for that reason—not related to whether the treatment is adequate or not adequate. You cannot force treatment that is to result in behavioural modification on anyone.

**The Chair:** It is interesting that you say that, because the experience in the United States is not quite that definitive. In fact, in some of the states they now require treatment to be taken by persons who have committed crimes related to specific types of drugs or alcohol, and if they do not take the treatment, their parole is delayed until they do. You can get a lot of conning there, but at least you get some treatment for them.

The statistics, although they are not yet out definitively, seem to be that although the common theory has been that you can lead a horse to water but you cannot make him drink, it is not necessarily true. There are benefits that are being acquired from it.

**Dr Barkin:** That was not the nature of my comment. My question was, will forced treatment be as successful and will the rate of recidivism be as low as it is when a patient voluntarily seeks treatment? There is no study that I am aware of that would say the contrary. Does forced treatment work sometimes, which is the question you are asking? I am sure it may work sometimes. But the rate of successes is not that high.

**Ms Haeck:** Through your community branch, do you do any kind of surveying of specific populations—I am thinking of, say, a group home or a halfway house or something like that—to find out what kind of clients would be making use of programs that are in the community and, again, to be able to trace any successes?

**Dr Barkin:** We do some of that and ARF does a lot of that. I do not have the data readily available.

**Ms Haeck:** It is good to know it is being done.

**Dr Barkin:** There is a fair knowledge about who the highest-risk populations are; not as much as we would like to have, however. We wanted to get a fuller picture across the province, which was one of the reasons that the Premier's council launched and is in the process of a cross-province health status survey. That should give us a bigger general picture as well.

**Ms Poole:** Thank you for being so patient to come yet once again. I wanted to ask you about a presentation which we had from the Donwood Institute last week, which was excellent. I assume you probably would have seen the



transcript by now. In fact, I think you may have even been—

**Dr Barkin:** I was here for the latter half of the presentation. If you have a transcript, I have not read it in detail, I confess.

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**Ms Poole:** They proposed some short-term remedial action and some long-term action to help alleviate the problem with the large amount of Ontario dollars going to the US to pay for drug and alcohol rehabilitation. One of the things they did was to give us a list of things they felt could be done by the ministry and by the Legislature relatively soon that could help to at least alleviate the problem.

For instance, they said first of all there should be controlled access. Then they talked about the need for an independent professional assessment that would be required prior to anyone going to the United States. This would be not your general practitioner who may not be familiar with what resources are available in Ontario; this would be somebody independent, somebody who had been trained in assessment.

I asked whether this would be readily available in Ontario. Did we have these resources and this assessment facility available now? He said—I believe the number was 34, or in the 30s anyway—there were already a number of existing centres which did assessment and referral, they were based across the province and this system was ready to go.

Have you considered this as one of your qualifications: that there be an independent professional assessment by an assessor who would know not only the problems with drug and alcohol rehabilitation but also the resources we have in Ontario; and that the assessment be required by the Ministry of Health prior to allowing a patient access to OHIP billings for an American facility?

**Dr Barkin:** The answer to all your questions is yes, but let me give it some detail and flesh it out a little for you.

The presentation from the Donwood reflected very much the directions of the minister and of the government. The commitment of the government was contained as part of the minister's statement with respect to the changes in policy on out-of-country payments that will become effective in the fall. There will be more detailed announcements forthcoming as to how that will be implemented, and prior approval is one of the essential ingredients of that.

If I may, I will simply quote the minister's comment on that since it is a question of the government's intended policy. The minister's comment there is: "...support systems which will assist those patients currently needing to use out-of-country treatments. These will include: expansion of existing addiction services, residential programs, youth services, case management, detoxification services and day treatment"—and this is the portion that relates to your question—"as well as an enhancement of assessment and referral services. A new treatment registry is planned as well." So assessment and referral service requires that there be a coincident treatment registry of all of the available options.

I had a rather lengthy meeting the day before yesterday with the Addiction Research Foundation on exactly how and what it includes in its treatment register, since we know that there are a wide variety of community-based services, from church groups to Alcoholics Anonymous to Renascent Fellowship treatment centres to Narcotics Anonymous to other self-help groups to some of the more formal treatment and rehabilitation services. They assured me that their view of a registry is one that encompasses all those services, so that clients are properly counselled as to what their choices are through an enhancement of assessment and referral services available. So, with some greater detail, the answer to your question is yes, that would be well within the government's range of policy intentions also.

**Ms Poole:** I appreciate that answer. Perhaps I could be a little more specific: Not only is the registry going to be set up—that obviously is a good idea—but the other consideration is who is going to be making these assessments and referrals? If it is going to be fairly widespread, and you are just sending out piles of documentation to doctors across the province, so that they would be able to make this kind of referral, sometimes they may not have the necessary training to know whether residential care is actually required or whether it could be outpatient or what exactly is needed. Is it the ministry's intention that the assessment centres already existing are the ones on which the Ministry of Health would make the final pronouncement whether it is necessary for the patient to go to the United States for treatment?

**Dr Barkin:** Those and others to be added to them.

**Ms Poole:** So it will be specific individuals or centres that will have this responsibility, as opposed to making it quite widespread as it is right now.

**Dr Barkin:** That is correct.

**Ms Poole:** That is very helpful.

**Mr O'Connor:** There is one thing that we have not talked about too much and I wondered if you can help me. As part of long-term care reform, something that has perked my interest in dealing with the drug aspect of it—and of course now we are looking at it not from the youth aspect but the senior aspect of it—concerns seniors in nursing homes. Do you feel there could be a waste of resources in the overuse of drugs in those facilities as opposed to trying to create a healthier resident through other means?

**Dr Barkin:** The ministry has quite a number of reports before it corroborating the concern which you have expressed, that seniors, wherever they are found, in nursing homes or in their own homes, are receiving too many medications and are not having them appropriately monitored in their own best interest.

We know that many physicians run programs where they ask all their senior patients to bring in the pharmaceutical agents they have in their various medicine cabinets; they get rid of them and review their medications periodically.

We are also aware from a report which we now refer to as the Goldberg report that this is a common problem in terms of additional cost to the health care system, not just



because of the cost of the drugs that are used but of the consequences in illness that inappropriate drug prescribing produces in the elderly. For example, we have had estimates running from 10% to 25% of hospital admissions attributed to inappropriate medications for the over-65s.

**The Chair:** I am glad you clarified that issue about the minister's statement because I think many of us, including myself, thought it was going to be a scenario much as took place when you wanted to go to a specialist. You went to your doctor. If he said okay, you went to the specialist and it was covered by OHIP because you were referred by him or her. I am happy to see that it is going to be a much more critical test. I assume that is what you are interpreting the minister's statement to say.

**Dr Barkin:** Yes.

**The Chair:** I would hope that critical test would not click into place until we have appropriate facilities here, because I would hate to see people out there who have a drug or alcohol dependency having to go through the bureaucratic red tape that might make them kill themselves or somebody else before they got that treatment.

**Dr Barkin:** The purpose of the assessment centre married to the registry is to give Mr McNaughton's department the right to authorize payment for an out-of-country facility at the pre-approved or preferred provider rate that we negotiate if the appropriate service for that individual is not available in a timely way in Ontario. That is part of the minister's announcement.

The assessment process is designed to deal with that and to counteract what the committee heard about self-referrals, the patients who decide for themselves, "Gee, I would like to go to Texas or what have you, and having so decided, I can now send the bill back to OHIP."

If the patient decides to go to an American facility without prior approval, under the new policy guidelines that will be coming into effect in the fall only the rate which we have established for Ontario will be paid for that service. If the patient has to use an American service because it is not available in a timely way in Ontario, as determined by one of the assessment centres, then we will pay the full preferred provider tariff for that. That is the critical difference in the new policy that was announced.

1130

**The Chair:** Could you help this committee? I can only speak for myself, but perhaps other members of the committee would like to know what that procedure is and what the time line is. I would hate to think that if someone went to the US and took the treatment because it was not available here and because they could not wait in line for what is sometimes the bureaucratic trip, they would be deprived of their reimbursement after they came back.

**Dr Barkin:** The one detail I can give you at this stage is that there is an appeal process available to the patient. But the details of implementation, as the minister indicated in her statement of 2 May, will be announced by the minister shortly.

**The Chair:** But that appeal process is like everything else with government: You have to get approval beforehand; you cannot get it afterwards.

**Dr Barkin:** No, that is not quite right. If I may, I will ask Mr McNaughton to give you the details, since they are administered through his portfolio.

**Mr McNaughton:** We are developing the fine details of the process. What you are concerned about is that someone might wait a week or two, or a month or two, God forbid, where there is a much higher urgency.

**The Chair:** Yes.

**Mr McNaughton:** In developing it, we are trying to study all the other systems we can find that are like that. British Columbia, for example, operates a system like this. They resolve all the paperwork and everything else and have the patients on their way to the facility in the United States within 48 hours. It remains to be seen exactly how we do that in Ontario, but the same kind of sensitivity as they are using in British Columbia is what we would be looking for.

The biggest challenge we face is weekends. But we understand the need to move and move quickly. This could be more critical in the area of cardiovascular care, for example, than addiction treatment. In general, I would not anticipate that we could not find emergency addiction treatment in Ontario. That would be my supposition. It is more the long-term care where a day or two or three, or quite frankly a week, would probably be adequate in those cases. But we still need that urgent process for other types of medical care as well.

**The Chair:** I wish you luck. I guess we are all still reeling from things like the Immigration Appeal Board and so on—the things that were going to speed things up.

**Mr McNaughton:** By citing British Columbia, I am trying to show you that it is really happening. I have seen their statistics and their data; they are turning their cases around in a maximum of 48 hours.

**Mr Cousens:** Just a very brief paragraph from a submission to the provincial anti-drug secretariat with one issue, which was the time he had to wait at the Centenary Hospital's crisis centre in Scarborough. His son was addicted to crack cocaine in early December.

"By late December he had hit the proverbial wall. He had a \$500-a-day habit, was totally out of control and was threatening suicide. The day he had bottomed we searched for help and tried for admission that day into some form of treatment facility. We ended up at Scarborough Centenary's crisis centre. After six hours of waiting we were advised—" even then it wasn't much better.

First of all, do you think that is fast enough service for someone who is in that state?

**Dr Barkin:** I suppose the ideal would be to get everyone immediate service at any time, 24 hours a day, 365 days a year. I doubt that with the 200 million or so contacts that happen each year with the health care system we will get that record 100% of the time. We certainly would aspire to that. I do not know how to comment on that individual case or the voice of the anguished father.



**Mr Cousens:** Can I help in that? The only worry I would have is that in the admissions at the hospital, is there a way in which they can identify cases that are more crisis-oriented than others? They do it when there is no pulse; then they can quickly get things going. When you have a crisis that is really brewing like that, is there any way in which you can grade them?

**Dr Barkin:** If I can understand the question, you are asking me whether—

**Mr Cousens:** I am helping you out a bit.

**Dr Barkin:** —the psychiatric assessment emergency has the same grading system as we have for medical emergencies.

The answer is no, it is not as clear. On the medical and surgical emergencies there are very fixed and hard criteria and good predictors, but they are not 100%. We have had lots of people who go into a hospital who get graded for some chest pain and are told they have nothing that turns out to be something because there is a limitation in diagnostic validity. It is a lot fuzzier in the psychiatric area.

**Mr Cousens:** I know that. It is not a trick question, but it may be one of those things you hear. You have seen the issue. This example illustrates the problems that come around it and maybe it is one of those things, and with your limited resources you look at ways of trying to target patients more quickly.

**Dr Barkin:** I think it is a very valid question. I faced that question wearing one of my previous hats when I was chief executive officer at Sunnybrook Hospital, which has a psychiatric facility and a crisis facility, and also dealt with youth because it was a centre for that as well. In talking to our most senior experts then—Saul Levine was the head at the time—they tried their best to develop criteria to assist them to recognize that usually the point of first contact is the emergency position. The point of contact is not a psychiatrist sitting in emergency waiting for patients like this to drop in. They try to develop guidelines for rapid referral. I think most emergencies are trying to develop such guidelines but, as your example illustrates, it is not as clear-cut on the psychiatric side as it is on the medical side. It is pretty tough.

**Mr Cousens:** I just presented a challenge there. It is a hard one, but if there are any developments made on it, I would enjoy the fact that it could be passed on to all 223 hospitals.

**The Chair:** Thank you very much. We appreciate your coming back again.

**Dr Barkin:** If I may, the first time there were a number of requests made of us. I was able to respond to some of them the last time I was here. One of the requests was for the correspondence we had received from and/or about some US facilities, and there was some concern expressed whether there would be any confidentiality violations if such correspondence were shared with the committee. I have asked the ministry's freedom of information and protection of personal privacy officer to review that correspondence. He is in the process of reviewing it, but has given me a preliminary report that if certain personal identifying information were severed from the correspondence,

we could share the balance of it with the committee. He is now going through that process to protect the individual's privacy, and when he is done the correspondence, as per the committee's request, appropriately severed and screened by the protector of personal privacy, will be forwarded to you.

**The Chair:** Thank you very much, doctor. We appreciate your coming forward.

#### TASK GROUP ON ADVISORY COMMITTEE REPORT

**The Chair:** Mr O'Connor had another question. He would like to ask Mary Shantz if she would come back; it is kind of like Jeopardy, you know. This is Final Jeopardy.

**Mr O'Connor:** I thank you for being willing to come back, and I am sorry to catch you off guard. It is something I had not thought of earlier. Something in our questioning sparked it. You were involved with the tour as well, and the committee?

**Ms Shantz:** Yes, that is correct.

**Mr O'Connor:** Great. Did the anti-drug secretariat look at all at any youth correction facilities and the treatment for substance abuse problems in them, or did you have any presentations before you from such a facility?

**Ms Shantz:** In answer to your first question, as Mr Mammoliti mentioned we did hold a special hearing at the Ontario Correctional Institute in Brampton. We also included residents and staff from the Vanier Centre for Women, and in addition to that we had a young offender, so we had a very full and useful presentation from people who are directly involved in the system. But that was the only correctional facility we visited as a task group.

**Mr O'Connor:** Great. So then you have not actually looked at a centre directly for youth?

**Ms Shantz:** No, not specifically.

1140

**Mr O'Connor:** Through some of our questioning we have been talking about maybe looking at correctional facilities and I just thought that looking at a youth facility might be useful. I wondered if you could help us in that way.

**Ms Haack:** Following up with you on my previous question to Dr Barkin, in your travels, and looking particularly at these two correctional institutions, can you speak about the kinds of programs that were available to inmates—I guess that is the appropriate term—and any comments on the young offender as to the use of some of these programs? Was this person making use of the programs within a correctional institution?

**Ms Shantz:** The young offender happened to be a woman, so she was able to speak about her experience in Vanier. Only one young offender appeared before the task group and spoke to us.

As for your other question with regard to correctional facilities, I feel the Ministry of Correctional Services is in a better position to respond very specifically with regard to what services and programs are available in its facilities.



**Ms Haeck:** They were there recently, and I was just wondering if you had a chance to sort of assess if there were programs at those two institutions in your visit there.

**Ms Shantz:** Specifically at OCI, yes, there are programs.

**Ms Haeck:** Vanier does not have something?

**Ms Shantz:** I think it would be unfair to Vanier to say it did not have anything. My impression was that the Ontario Correctional Institute had a more intensive program. That particular institution has been designed with more treatment components to it than some of the others.

**The Chair:** It is a first-rate facility. Unfortunately it is so small that there are waiting lists. I think that is part of the issue. Thank you very much.

#### SEVERANCE AND TERMINATION PACKAGES

**The Chair:** We are now going to deal with the motion, which I understand was discussed somewhat this morning.

Mr Tilson moves:

“(A) That the Provincial Auditor review severance and termination packages paid to senior civil servants (director and up) and political staff from September 1990 to the present in the following ministries and offices: Natural Resources, Government Services, Solicitor General, Premier’s office, Cabinet Office, Treasury and Economics, Financial Institutions, Agriculture and Food, Environment, Attorney General, Industry, Trade and Technology, Municipal Affairs, Management Board, Health.

“(B) That the report of the committee on the review of these packages include, for each package, information on:

“(a) The name, position, length of service, and salary at time of separation of the individual who received the package,

“(b) the reason for termination or separation,

“(c) the total dollar cost of the severance or termination package.

“(C) That the auditor provide the committee with an assessment and comparison of the severance and termination payment practices of the Ontario government relative to those of the private sector.”

Before we deal further with this, I am going to ask the auditor, because as I understand it you have put this on Orders and Notices as a question but apparently the minister involved indicates she is not able to provide the—

**Mr Tilson:** For the record, I have proceeded with two sources. Really I should have attached this to the motion. One was through order paper questions on severance, in which case I got back—and I do not have it with me now—a series of numbers showing a series of ranges of what appear to be identifications of ministries, but it is difficult to do that; in other words, complete protection under the Freedom of Information and Protection of Privacy Act.

Second, I asked a question in the House of the Chairman of Management Board, I believe it was, with respect to an item for severances that had come out of the Premier’s office. I believe it was \$700,000; I cannot recall. My question was for particulars. She undertook to give me what she could—

**The Chair:** She is hamstrung.

**Mr Tilson:** —and she did. She honoured what she said she would do, but she could not give me anything further because of the act.

**The Chair:** I guess I am going to ask the auditor, or his representative here, does it present a problem for the auditor to get that specific information, or are you guys stuck with the same problem?

**Mr Otterman:** We certainly have no problem with being able to access the information and examine it, but in the reporting back at this stage, I do not think we have really had a test of this nature since the new act on privacy and protection of information has been in place. Our policy has always been not to name names, wherever that is possible, and in the past I think we felt that if we had to report something that was very sensitive and personal, we would do so in an in-camera session to get the advice of the committee. However, just how that would be interpreted is something we would be very careful of clearing with the Information and Privacy Commissioner.

**The Chair:** Okay. So you are not asking for names here anyways. It is your motion. Do you want to delete that?

**Mr Tilson:** My difficulty in this whole issue, is that no one knows the details of severance packages, the quantum, the reason why, the details, how long people have been here or anything. Someone must be able to monitor this and that is the intent of the motion. I am going to let the motion stand as is. If it contravenes the act, I am sure the auditor would take cognizance of that.

**Mr Johnson:** I would like to say—

**The Chair:** I do not want to rush you, but I think I am going to have to exercise the prerogative of the Chair. We are going to have to deal with this by five minutes to 12, regardless of what has happened. I am sure there is going to be a vote in the House and I would like to get to it.

**Mr Johnson:** There are a number of things I think the government side would be concerned about. Although I do not speak on behalf of my colleagues, I certainly speak for myself.

I am sure the Freedom of Information and Protection of Privacy Act, as we have already discussed, would come into play here. As I mentioned earlier in camera, the settlement packages that are negotiated or agreed upon between the parties who are leaving and the government are, as far as we understand, private and confidential. They are agreed upon and arranged based on information supplied to the government and on the severance and termination packages that occur in the private sector.

I may be wrong, but in moving this information I believe Mr Tilson has two purposes. One is that he sincerely wants to understand exactly what the costs are—and that is the purpose of this committee—for severance packages of all the people that he has pointed out in this motion.

The other thing too, most certainly, is that if the auditor were to find out this information and it were to be made public, it would not reflect what has happened in the past and it may not reflect on the packages as they are related to what happens in the private sector. In my opinion it would



reflect negatively on the government, and I do not think that is something we on the government side would endorse.

I understand the purpose for wanting to know. It is public funds that are used, and I think that serves a useful purpose. But on the other hand, given the nature of the privacy and protection of information we are dealing with here, I think it is important to look at it in a broader spectrum. In the broader spectrum, I wonder what Mr Tilson's complete purpose is. I see the one, but I would suggest that maybe when this information—and I do not think it will—becomes public, it is the sort of thing I do not think the government would see as being in the interest of the government.

If this motion were to be amended to say something in the A part—with regard to the date, if it were to say from, say, the first of 1985 to the first of 1990—

**The Chair:** If you want to be truly fair, you should go back to 1982 so we all get raked over the coals.

**Ms Haeck:** Yes.

1150

**Mr Johnson:** Sure. If we want to see how the process works and what packages have been paid, maybe we should look at the history of this process and not just identify a period in time as recently as from September until now. That would suggest to me that the interest is what has happened since this government took over in September, and I do not think that is a fair reflection on the purpose. If we were to look at it over a 10-year period, yes maybe, but I do not think I would support this motion, quite frankly.

**Mr Cousens:** To be very brief, respecting the time constraints, number one, it is really too bad that the auditor can no longer list the total salaries of all civil servants over a certain level. This freedom-of-information thing has gone so far that we do not know what is going on around here any more, and that is a travesty to the people of Ontario. It is another issue, but it is implicit to this one, because it happened in the mid-1980s, somewhere around there—it does not really matter—but it is one of those things where there is too much protection of information. They are public servants and I think we need to know what is going on. That is my first point.

The second point is that I do not see any cases coming up in the courts where people are grieving against or taking suits against the government for their settlements. You see them in private industry all the time, because industry is trying to watch the dollars more. But within government, I have a fear that there could well be very generous settlements. The reason you are not having court cases coming up is because they are too generous.

There is a need for us to know what kind of severance packages are being given to senior level people. It is hidden in the operating costs because it just becomes part of the salary. So instead of the people being there, they have had a certain period of time that they are gone. I know how it is done and it is not a pleasant scene.

I am supportive of this and to me if you go back too far—just one more point, my third point—the auditor will not get on to some of the other things he is doing. I see it as something that we do for this last period of time. It has

to do with when the government changeover took place. Come on, let's open it up and see just what really has been going on there. There is secrecy right now and we have got to take the cloak of secrecy off.

**Ms Poole:** I would like to support Mr Johnson's comments about putting things in perspective and taking a look at the history of it and also what has happened when there have been successive government changes in Ontario. That has not happened too often, so I think there are only two periods we really will be looking at. If it is going to be done at all, I think that has to be put in context.

With relation to Mr Cousens's point about the threat of lawsuits, I think that is a reality. I suspect the severance packages given both in relation to the civil service and ministers' staff have reflected it, not necessarily at a time government changes, but also when staff is let go for various reasons.

Having talked to the Human Resources Secretariat not too long ago, I know it is recommending that although the limit is one week by provincial statute for employees under a probationary period, for instance, it is recommending something more generous than that, simply because of the rise in the number of lawsuits.

I think it is quite a comprehensive problem and while I support the intent that Mr Tilson is going after, I do not think this has been crafted with all these viewpoints in mind. I would propose that Mr Tilson, perhaps, consult with some of the members of the committee, rework it and bring it back to us the next time we are in public session. At that time perhaps we can have something we can all agree on that is good to refer to the auditor.

**Mr Hayes:** I pretty well reiterate the words Mr Johnson has said. We are all concerned about how much money is being spent and where it is going and who is getting it. But I do have to look at this and say it is kind of interesting. Why would we say from September 1990, as though something new has just happened here? I think if we really wanted to get the true picture, if we wanted to do this type of investigation, we should go back. One example is 1985 when the previous Liberal government was actually embarrassed because of a deal the government before had made. It was a golden handshake in this place and nobody knew about it. It was quite hefty and I understand it could be corrected. But I think the deal is still going on and that individual is probably still getting some money.

I think we should be looking at this if we really want to study this thing and ask what we can do to maybe change these kind of things from happening and if we are still following past practice here. I have no objections to disclosing things and members becoming aware of what is really going and where money is being spent. Also the public has that right. I would have to really question this as to what the real purpose of it is, and I would certainly have to vote against it.

**The Chair:** Mr Tilson, you have heard what has been said. I wonder if you would like to table this for the moment? We actually should have had unanimous consent to deal with it because it was a notice of motion. But maybe you want to craft it and bring it.

**Mr Tilson:** It has been suggested that there is something sinister with this motion. There is nothing of the sort.

**The Chair:** That is actually out of order. You are not supposed to question the motives of a member.

**Mr Tilson:** The whole purpose of this motion is to simply find out what is going on, and I am not prepared to make an amendment. If the auditor is telling us that there is violation of the act or some other act, then he will tell us. But most important, this committee should know what is going on, and this committee has no idea on this subject. No one in this room has any idea. I stand by the motion. I would like to have it voted on today. I am not going to make any amendments to it.

As far as the date is concerned, if there are some irregularities as a result of this, then perhaps another motion could be made at a later date to deal with other periods of time, but that is not the intent. The intent is not a witchhunt for any specific names. The intent is to find out what is going on in the spending of this government. I do not mean this NDP government; I mean this building.

**The Chair:** May I have unanimous consent retroactively to get this thing on the floor to begin with?

**Mr Hayes:** I make a motion that we table it.

**Mr O'Connor:** That is not his wish.

**Mr Hayes:** I know that.

**The Chair:** Till when?

**Mr Hayes:** When you table a motion you do not table it until when; you table it, and then if you want to bring it up again, you make a motion to take it off the table.

**The Chair:** All right?

**Mrs MacKinnon:** I will second that if that is what you need.

**The Chair:** That is basically a hoist motion. We would have to have far more conversation on it before I would be able, as Chairman, to agree to that motion. I would suggest that if you are going to move it, you move it to a specific date. We are going to be called in about 30 seconds for a vote.

**Ms Poole:** Might I propose a friendly amendment that it be tabled until the fall session?

**The Chair:** Okay, that would supersede a vote. Those in favour of that motion?

**Mrs MacKinnon:** Which one?

**The Chair:** That it be tabled until the fall session. Those in favour?

**Mr Johnson:** What are we voting on?

**The Chair:** We are voting on the motion that Mr Tilson's motion be tabled until the first meeting in the fall. Those in favour? Okay.

**Ms Poole:** I did not say the first meeting. I just said the fall session, whenever it fits into our—

**The Chair:** Okay. We are being called for a vote. We stand adjourned. Have a nice summer, everyone. We will see you on the tour on the route and all that stuff.

The committee adjourned at 1200.



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## STANDING COMMITTEE ON PUBLIC ACCOUNTS

**Chair:** Callahan, Robert V. (Brampton South L)  
**Vice-Chair:** Poole, Dianne (Eglinton L)  
Bradley, James J. (St. Catharines L)  
Conway, Sean G. (Renfrew North L)  
Cooper, Mike (Kitchener-Wilmot NDP)  
Cousens, W. Donald (Markham PC)  
Haeck, Christel (St. Catharines-Brock NDP)  
Hayes, Pat (Essex-Kent NDP)  
Johnson, Paul R. (Prince Edward-Lennox-South Hastings NDP)  
MacKinnon, Ellen (Lambton NDP)  
O'Connor, Larry (Durham-York NDP)  
Tilson, David (Dufferin-Peel PC)

**Substitution:** Miclash, Frank (Kenora L) for Mr Conway

**Clerk:** Manikel, Tannis

**Staff:** McLellan, Ray, Research Officer, Legislative Research Service









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## Legislative Assembly of Ontario

First Session, 35th Parliament

## Official Report of Debates (Hansard)

Thursday 3 October 1991

### Standing committee on public accounts

Canadian Council of Public  
Accounts Committees Conference

## Assemblée législative de l'Ontario

Première session, 35<sup>e</sup> législature

## Journal des débats (Hansard)

Le jeudi 3 octobre 1991

### Comité permanent des comptes publics

Assemblée du Conseil canadien  
des comités des comptes publics



Chair: Robert V. Callahan  
Clerk: Tannis Manikel

Président : Robert V. Callahan  
Greffière : Tannis Manikel

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 3 October 1991

The committee met at 1004 in room 151.

### CANADIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES CONFERENCE

**The Acting Chair (Mrs Fawcett):** This morning I think we are going to have a little discussion of the conference in Winnipeg. I think it would be useful for the members who attended, if possible, to give their impressions of the conference for those of us who were not able to be there, and then also a review of the trip to the US on drug and substance abuse.

**Ms Haeck:** I am not sure to what degree other people made notes from that conference. I do have some, and I would ask the other members who were able to attend, Mr Tilson in particular, since Mr Johnson is not here, to fill any blank spaces that I may have left.

I found a number of the presentations extremely interesting, though quite clearly the kind of discussions that we have had have not strictly related to crown corporations. The theme of the conference related to public accounts committees and accountability within crown corporations, so this is really how the various presentations were focused.

Various people who had experience in that area made presentations. One gentleman named Kevin Kavanaugh related things happening in Manitoba, and we heard Warren Justin from the Yukon speak very aptly and articulately on what was happening in his own area. Other topics? Accountability dilemmas of crown corporations, something that, again, I guess we all have to wrestle with at some point. Just looking at some of my notes: Too much accountability does not improve efficiency. There are definitely various aspects of the discussions that would probably lead to some heated debate as well.

Those are just some very quick notes that I made during the day. There was some other documentation made available to us from the public sector accounting and auditing committee of the Canadian Institute of Chartered Accountants. They passed out some materials—and they are definitely of value—and a comparative jurisdictional implementation survey by the Canadian Council of Public Accounts Committees. This was the 1991 report.

I think there is an awful lot that we can learn from participating in some of these, like some of the discussion by Mr John Kelly. Relating to accountants he says, "Why should you care about accounting?" It is not a topic, I think, for any kind of great dinner debate, but it is something that I think this committee does have to address. Comments that he made: Bad information results in bad decisions. Why would a government use inappropriate information? Well, he raises the point that it could use that kind of information to convince people that a situation is really different than it is. Consolidated funds? You have to really look at both sides of operations.

Anyway, there were a lot of things I found very, very interesting and related to what we are doing. He definitely brought out a number of points that I think we should be looking at in our deliberations when we are meeting with deputants from the various ministries or other areas, so that we ask full questions and try to get a clear answer on both sides of the operations that are in place.

I would end at this point. Perhaps there are some other questions or Mr Tilson has some comments.

1010

**Mr Tilson:** I think you have covered pretty well what went on. A couple of other points to add: I certainly get the impression, listening to the public accounts committees from the various provinces, that our committee meets far more regularly than theirs. The range of topics that we cover is far more extensive than what those committees cover. There was one other topic which, I suppose, is interesting politically, particularly in this province. There was an interesting debate on deficit financing which probably did not bring us any closer together necessarily, but it was a debate.

Much of the time was spent, as you have indicated, on the accountability of crown corporations and crown agencies. I believe—I hope I am not wrong—that in our auditor's legislation, our auditor has far more ability to look into crown agencies and crown corporations than he does in other provinces. Christel, you can correct me, but that was the impression I got. The topics that were covered, I think you have summarized them. The meeting next year will be held in New Brunswick. I think in the scheduling, Ontario would host the meeting following that.

As far as our participating goes—and I appreciate there was a change of government and many of us are new to the system—I think it would be useful if members of this committee, whether all or some of them, attend next year in New Brunswick, specifically put forward suggestions to the New Brunswick chair as to topics that we feel would be useful to discuss. I believe the crown corporation and crown agency subjects will be discussed again, perhaps not to the extent they were this year. But I believe that if this committee has certain topics on which we would like the input and the experience from other provinces, then we should do that immediately; in other words, inform the New Brunswick chair that we hope those topics would be discussed, because I believe it is in their discretion, and quite rightfully so, as to what should go on.

There was no discussion whatsoever as to what is going to be discussed next year, other than, I believe, a continuation of the crown corporation accountability.

**Ms Haeck:** If I can interrupt for just one moment, Mr Tilson. There was a motion passed within the committee at that point which reads: "That the Canadian Council of Public Accounts Committees establish a task force to examine the role of public accounts committees and other legislative



committees in the accountability process of crown corporations with a view to generating a statement on this issue for the information of member jurisdictions and to assist the CCPAC in future discussions in this matter."

There was a lot of discussion on this particular point and definitely a hope that something could be ready for the New Brunswick meeting, which would lead to what Mr Tilson has just discussed about the continuation of these discussions.

**The Acting Chair:** Yes, I wondered about that. Mr Tilson.

**Mr Tilson:** Our delegation spoke against that motion, not necessarily because of the content of it, but because it was being suggested that Ontario's resources and Alberta's resources and those of the committees that met more frequently would take charge of that issue. We were reluctant, simply for funding issues, to participate. I think there was a consensus among the members, the NDP and Liberal delegations and representatives there, that we certainly support discussing the issue further and perhaps even contributing some sort of paper or thought from this committee which could be sent in advance of the New Brunswick meeting. We spoke against it, yet we are in favour of it—as usual, trying to speak out of both sides of our mouth, I suppose.

**The Acting Chair:** I was informed by Mr McLellan that the Yukon had a sort of executive meeting following any of the hearings and that seemed to help everyone because your thoughts were immediately recorded. Would you like to speak to that, Ray?

**Mr McLellan:** In the early part of the conference there was an opportunity for various provincial delegations to comment on what had transpired over the last 12 months in the Yukon. Immediately following each hearing, they commented from a procedural perspective on a strategy or an option they use, whether dealing with substance abuse or firefighting or what have you, not necessarily to draft recommendations, but at least to reach some preliminary conclusions on topics under consideration.

In the past we have waited in some instances three or four or five weeks before we actually get to the point of drafting recommendations. Over that period it is easy to forget information or to perhaps forget recommendations that were untimely at the time of the hearing. That seems to be a helpful process. Actually we did try to use this on the trip to the United States when we were looking at substance abuse in a somewhat different, less formal environment. It did help, I think, in reaching early conclusions.

**The Acting Chair:** Ms Haeck, did you have a comment on that?

**Ms Haeck:** I did. I think most of the deputations found the suggestion the Yukon made extremely useful. But, as Mr Tilson so aptly pointed out earlier, the reality is that our standing committee on public accounts probably meets the most frequently of all the public accounts committees—though I cannot speak for the federal government. We did not really get into that with them but I do know, in talking to people from Nova Scotia and PEI, that they have a very limited meeting schedule. In the case of PEI, they only meet as a Legislature for about two months of the year, and that is

the only time their public accounts committee meets. With that kind of a hiatus it could be quite possible to forget an awful lot of the details. What the Yukon has suggested is something that they consider to be extremely valuable.

**Mr O'Connor:** In your discussions with different people from committees across the country, did they have the same type of resources as we have, like Hansard recording of committee meetings and the same access to legislative research to try to draw it together when it comes time to writing reports? Did you get a sense of whether their structure is as formal as ours, while you were there?

**Mr Tilson:** I must confess those specific questions were not asked, even in private discussions. I certainly got the impression, though, that the organization of this committee was far more extensive than the organization of the other committees, even in Alberta. You can compare Alberta to PEI economically, but Alberta did not meet that frequently. Members from the Alberta committee were present and did not meet that frequently.

As regards Hansard, staff and resources, those specific questions were not asked. They seemed to be almost overwhelmed talking to us as to what topics we cover and the extent. I just listed education and health, the two most recent areas that we have been talking about, and they seemed almost overwhelmed that we would go into it in that detail. So I am afraid I cannot help you.

1020

**Ms Haeck:** I have just one or two comments. In talking to the Nova Scotia representative and some people from PEI, very clearly we do a whole lot better in the area of research and staff support, because I think, as the clerk also would substantiate, many times the clerk responsible for the various committees may, in fact, be only one person. Here, one individual is responsible pretty much for one committee, maybe two. In the case of New Brunswick, the clerk is responsible for all the parliamentary committees. That makes for quite a challenge, I would say, to meet all the demands that may in fact be there, be it scheduling, having resources there, keeping up to date on reports, etc., etc. I think we are doing very well, as Mr Tilson also pointed out.

**The Acting Chair:** Possibly our clerk could add something to this.

**Clerk of the Committee:** In the directory for the Canadian Council of Public Accounts Committees there is a summary showing the budgets for the different committees, the staff, research, number of meetings. I will send that information out to your offices during the week. But just from talking to people and having worked in Manitoba, I know a lot of the other jurisdictions do not have the resources in terms of clerks or researchers, and it does cause problems. But then again, their committees are not as active and are not going into as much depth as this committee, so it depends on how the committees have evolved.

**Mr Tilson:** Two final points before we get into other areas: One was what direction this committee should give the clerk to prepare. We have, unofficially at least, given our commitment to host the 1993 annual meeting. Maybe this is already in the works, I do not know, but what direction do we give the clerk to start planning for that meeting?



Second, although we gave the impression we were negative with respect to the crown corporation and crown agency topic, whether this committee should direct the preparation of information on the status of accountability of crown corporations and crown agencies in the province of Ontario for purposes of submitting to the various committees across the country, I am sure that will be at least one topic we will discuss next year.

**Ms Haeck:** I would concur with Mr Tilson, as far as trying to be helpful to those other committees is concerned. At this point I think I have exhausted what comments I could make about it, other than to thank the organizers of the event. It was definitely a very pleasant stay. A lot of information came forward. There were some things that I had a chance to see and take home, and to talk to local people about things happening in Winnipeg, so I found the time spent very worthwhile.

**The Acting Chair:** I recall that in 1988 I was on a similar conference. Certainly it seemed then that we were leaders and much looked to by the other provinces and jurisdictions for the manner in which they would like to address the public accounts. I was just interested to know whether we are still leaders, and it would seem so.

**Mr O'Connor:** Another question I could ask of some of the people who were fortunate to go in that leg of our journeys this summer: Do they have the same relationship, those committees, with their provincial auditors? Are the mandates—I suppose the researcher should best answer this—of all the committees identical in legislative responsibilities?

**Mr McLellan:** As I say, I did not attend the full conference, so I could not really comment on their mandate. At least during my period with public accounts, we have not really sat down and gone through the specific mandate and done a comparative review of what each committee does during the year. It would be difficult for me to comment on that, but it is certainly something I could look into, if you would like me to, and report back to the committee.

**Mr O'Connor:** Because our resources are perhaps a little bit better than some of the other committees in the provinces across the country, perhaps when we, as a committee, come up with our reports as we did some months ago and introduced them to the Legislature, we can share our report with the other committees and recommendations. I do not think we need any more paper for all of us, but if we could review the recommendations they have put forward in their legislatures, there might be some information and tips, a kind of a sharing of ideas, that would be quite useful, I would think.

**The Acting Chair:** One thing I neglected to do was give the report of the subcommittee; possibly at this time I should do that.

**Mr Tilson:** Before you do, on the two questions I raised, does the clerk require any direction from this committee to prepare for the 1993 meeting?

**Clerk of the Committee:** We discussed this briefly in the subcommittee meeting and I also had a meeting on Tuesday with the auditors. The meeting with the auditors, because this will be a joint conference again, was quite

helpful. The auditors felt, and I think I can safely say this, that they have gone about as far as they can go on the topics they have been dealing with and they have to take a new format as well. So Doug Archer and Jim Otterman and I were discussing the possibility of having more joint sessions between the auditors and the committee members.

My rationale behind this was: You have a great variety of people there and obviously the interests are not going to be all the same. We are looking at approximately 50 delegates or members on the public accounts side, so it is a little difficult to have concurrent sessions. But with closer to 100 people, when you put the two sections together, we felt we might be able to do something with concurrent sessions. This might give us a bit more variety of topics that more members felt were interesting.

This is something I have not talked to Bob Callahan about yet. I mean to speak to him about it, but we thought it would be a good idea if a letter went out over Bob's signature asking the different jurisdictions what they wanted to see in a conference. What are they looking for? I felt we would have the time to get together a very good presentation and a very good conference.

The other thing we talked about, and I do not know and I have not talked to any of the other member jurisdictions about this, is: With the time of restraint, should we be looking at holding the conference every two years? This was coming more from the auditors, I felt, because again they have been going to these conferences longer and they felt that maybe only doing it every two years might be a better idea. But we thought it might be worth while, because of the restraint facing all committees, to discuss it with them or at least raise it. I do not know that this will affect us for hosting 1993, but it could change the way we handle the conference at a later point.

These are some of the things we are looking at and I am hoping that either through a steering committee specifically set up to look at the conference, or through the subcommittee, we meet frequently and start working on this. One of the main things we have to decide soon is where exactly the conference will be held, because booking hotels will be one of the major things. I am hoping to get a few things put together for the committee members and then we can discuss this further.

1030

**Mr Tilson:** Would these things you are talking about be discussed at a subcommittee as opposed to—

**Clerk of the Committee:** Whatever the committee prefers. I thought it might be easier initially to start with the subcommittee, to hold it at times outside our regular meetings because we are going to be fairly busy, but we will have to go to the full committee to have it discussed there as well.

**Mr Tilson:** The second question I have is to Mr McLellan. Is there a paper prepared already that talks about accountability of crown corporations and crown agencies in the province of Ontario, that you know of?

**Mr McLellan:** I believe I have some literature on crown corporations in Ontario, the issue of accountability.

**Mr Tilson:** I say that without getting into a debate on Bill 118, of course.



**Mr McLellan:** I can share with the committee the information I have, some of which was distributed for the conference in Winnipeg. I will look for documentation and background papers on that specific topic. I know research was done about five or six years ago through legislative research on crown corporations and accountability. I have worked on accountability papers. I prepared one last year dealing with public accounts and the audit role and accountability, but not specifically on crown corporations. I will look into that and report back to the committee.

**Mr Tilson:** I think the committee members who attended the meeting were in agreement that we could make some contribution.

**The Acting Chair:** Possibly we will go through the subcommittee report now. We met on Thursday, September 26 to discuss the agenda, which you have in front of you. We agreed that the clerk would make arrangements for the committee to visit Bellwood and Donwood in October. The committee also agreed that we would not meet on October 17. The agenda is before you. Are there any comments on the proposed visits and the agenda?

**Mr O'Connor:** I was just wondering whether or not we confirmed the visit to Donwood as well or if that is still to be confirmed.

**Clerk of the Committee:** That is still to be confirmed. I have confirmed the one with Bellwood and they are looking forward to seeing us. Of course, members will have seen the letter they sent inviting us.

**Mr O'Connor:** I think at the subcommittee we had also asked that perhaps, when we have a discussion on the provincial Anti-Drug Secretariat report, there was the possibility of meeting again in this room. Have we checked out whether or not that would be possible?

**Clerk of the Committee:** I am working on it.

**The Acting Chair:** Anyone else? I would assume then that you would approve of the next meetings that are scheduled for us. I think at the discussion at the conference in Winnipeg, Dianne Poole, whom I am replacing today, wondered if John Kelly, who spoke to you, would be someone whom we might have appear before the committee at some future date. I am wondering if that is something you might think about.

**Ms Haeck:** I found his presentation extremely illuminating and I would be very happy if we could have him make a presentation to us. I think we would all find his comments worth while.

**Mr O'Connor:** With the indulgence of the committee, I was misinformed of the rescheduling of this committee. My notes are on the way down here right now. I was wondering if we could possibly take a 10-minute recess to allow my notes to come, because I think they would be useful with regard to what we have seen in US drug treatment facilities.

**The Acting Chair:** Is it agreeable to everyone that we have a 10-minute recess?

**Mr Tilson:** Agreed.

The committee recessed at 1035.

1046

#### TRIP TO UNITED STATES

**The Acting Chair:** At this time we will have a discussion on the visit to the US drug and alcohol abuse centres. Mr O'Connor, would you like to start this off?

**Mr O'Connor:** Just for those who will be watching us but have not been following this, as a result of the Provincial Auditor's annual report we were looking at the cost of OHIP billing for drug treatment facilities in the US. That is something this committee has looked at because of the rising costs. In fact, the costs for this year are estimated, I believe, to be up around the \$53-million mark. They are rapidly increasing from a couple of years at around \$20 million. It is something this committee found extremely important. We are looking at trying to provide that service in Ontario because it is important to us.

Some general comments: Before we went to the US to look at these treatment facilities, we had quite a few people come in to this committee and make presentations to us. We had Linda Bell from Bellwood Health Services and Garth Martin from the Addiction Research Foundation come before us in June. They mentioned quite a few of their concerns: the lack of servicing versus the lack of funding and how the two run hand-in-hand, the lack of accessibility to programs and, in some cases, US patients not even being able to access their own because of the cost.

We had Dr David Korn from the Donwood Institute come before us and explain some of the programming there. We also had George Mammoliti, who is the parliamentary assistant for the Anti-Drug Secretariat, and Mary Shantz from the Anti-Drug Secretariat come before us and highlight some of what they had seen in their tour of some Ontario facilities early last spring and in the fall of last year. That report is something this committee is waiting on and should receive by the end of the month. We also had the then Deputy Minister of Health, Dr Martin Barkin, come before us and share some of his concerns and views.

I will go into something of what we have seen in some of the facilities and be open to discussing some of it. The first was in Minnesota. We looked at the Hazelden Rehabilitation Center. It was a terrific centre, a non-profit organization. We found in just about all locations we went to that they seemed to take a strong stance in following the big book, the AA principles. It was something that they all had in common. Some of their approaches to it might have been a little bit varied, but they all took a pretty strong stance in that.

The Hazelden Rehabilitation Center was in a rural setting outside Minneapolis. It was very relaxed and it was an open concept. The patients all shared a certain—not quite a ward, which would not be the appropriate way, but a unit, I guess you would say, and they all worked together at sharing their problems and trying to overcome them. We had some fun when we were delayed at the airport in Detroit by some hours. We were a little bit late in getting around, but we managed.

After we left the Hazelden centre we went to the Fairview Deaconess centre in downtown Minneapolis. One of the things we found there was that they had a little more



diverse way of looking at things. They looked at the needs of aboriginal people. They had a special unit there that was geared to taking care of the deaf community. We were told some startling statistics. With people in the deaf community the substance abuse problems are very high, because of the lack of communication abilities with siblings and parents, which was quite eye-opening.

A large focus was on the adolescent centre of it. They put a lot of effort into that and tried to include a different way of planning around it. It seemed very successful. I guess one thing I should mention about our tours is that most people in these facilities, the people with the hands-on training with people or working with people, in many cases had a varying number of recovering alcoholics or addicts in helping, anywhere from 50% to 70%. In dealing with some of those instances it was very important that they tried to bring people on side who perhaps even knew in more detail some of the problems that people have to go through in trying to recover from a substance abuse problem, whether it be alcohol or drugs.

I think the average age in Fairview Deaconess was around 17. It is actually downtown, right in a hospital. They had access to any type of facility they needed as far as medical treatment was concerned, so it was very good in that relationship. I believe they had some tutoring facilities there, if there needed to be any tutoring of the patients while they were there. They also had a native advisory board there so that in dealing with substance abuse problems with the native culture they could deal with the special needs the native community has culturally. They have—I could use a little help here—the longhouse and the smoke pipe, different things that are unique to their culture. They made sure that was available there for them, so that they could—

**The Acting Chair:** If I might interrupt, concern with their spirituality was certainly stressed throughout.

**Mr O'Connor:** Yes, and I guess they could approach that through the advisory board. That was very important. Perhaps when we are looking at some of the issues in Ontario where there is a strong native component, if that needs to be looked at, then perhaps we should look at that as well. Right now I believe that a large majority of the native community in Ontario are in urban settings. I believe we have quite a few friendship centres right here in Toronto. So it is something we could look at as well when we are looking at that side.

From there we went to Illinois, to the Parkside Lutheran Hospital. Again, it was in Chicago, in the centre of town. They had a very good facility. As the patients were coming in they did two types of reviews. They did a medical review and a psychiatric review profile so that they were able to look at all the needs of the patient, try to get a broader overview, perspective, of the needs of the patient. So it was really good. Again, a non-profit centre in a hospital setting.

The hospital itself was designed exclusively to take care of substance abuse problems. On the adjacent property there was a medical hospital. Their costs were not quite as high as being in a general hospital, so they were able to be somewhat competitive because they did not have to provide all the services; all the services were

readily available just across the parking lot, I guess you could say.

**Mr Tilson:** What was the name of that?

**Mr O'Connor:** That one was the Parkside Lutheran Hospital, in Park Ridge, Illinois, which is Chicago.

In the hospital settings there is more, I guess you could say, influence from the nursing aspect of it, taking a look at all the needs of different patients. I believe it was Parkside that also had looked at methadone treatments, looked at the multiple problems that different clients would have there, people who were bulimic and anorexic, so that they could tie all the treatments together. They had dietitians there to take a look at those special needs as well. I think each facility had a highlight that needed to be looked at, and that was probably one of the highlights of that committee, some of the eating disorders that compound the problems.

They also tried to treat the primary problem, solve the addiction problem, and then parallel that with some of the other disorders—eating disorders, for example. Of course, the key was looking at the main addiction problem, the reason the patient was there to begin with. In every facility we went to there was a great deal of staff support. They were very supportive of all aspects of the patient's needs and a lot of recovering addicts were involved in the process.

From there we went to Dublin, New Hampshire, the Beech Hill Hospital. The Beech Hill facility was more of a rural setting, a little bit different than the strict hospital setting, though it was very well laid out. Again it was based on a mix of patient needs, a team approach to meeting the needs of the patient. It was a modern facility, it was fairly new, it had quite a nice setting for some of the special needs. They had a terrific lake just out front.

It almost seemed too nice as far as trying to take care of the needs, but they also pointed out in dealing with substance abuse problems—for example, I think crack was one of the ones they mentioned there, cocaine—the need for a special physical way of relieving some of the stress addicts had. They had a very good mix in trying to deal with the needs of recovering addicts from whatever different area. They dealt with quite a few youths and trying to solve the problems of youth.

From there we went to Spofford Hall in New Hampshire. That was one of the for-profit facilities. It again was an excellent facility, as all of them were. Spofford Hall, I suppose, was one of the more resort of the bunch.

1100

Beech Hill was a hospital, and it reflected a hospital setting very much. The nursing staff seemed very proactive in trying to fill all the needs of the patients. Again, they had a terrific program for follow-up. They reached into Canada with their follow-up and seemed probably about the best for follow-up in Canada. Beech Hill was outside a small town, very much a hospital setting, but there was a communal approach to a lot of it, as for most of them. It has been around for a number of years, well established, and the follow-up was the most impressive I had seen during the tour. I am sure most committee members would likely agree with me on that.



Spofford Hall was a very new facility. It seemed to meet all the needs of the patients. Extra stress was put on the needs of the patients through the exercise of addicts of chemical dependencies, so that they could try to ease some of that tension. Probably more was put on that effort than in any other facility. They had a swimming pool, they had weight rooms, as quite a few did, but their gym had more equipment. How it was used, I suppose, depended on all the programming.

We have received reports on some of the programming and I guess we will look into that a little bit further and make our comparisons, as we later travel through some of the ones close to the Legislature here—Bellwood Health Services Inc and the Donwood Institute.

I will leave it at that, unless there are questions, or other members want to share anything I have neglected to say. I think it was very worth while. We had a terrific eye-opener. Because we were travelling together from our sleeping accommodations to the facility, we had a chance to ask each other different things we would like to see before we got to the facility. When we were leaving the facility we also had a chance to talk about what we had seen. That really worked out well. It was like having a subcommittee meeting after every visit. I hope that when we tour the Ontario facilities we make an attempt to travel all together so we can share our thoughts, because I think that was really informative. We probably got a lot more out of it because we had an opportunity to review as we were travelling, while things were fresh in our minds.

**The Acting Chair:** What you are saying then is that the Yukon model is maybe a good one and that we should incorporate that more.

**Mr O'Connor:** I will leave it at that. Maybe Ellen has got more to add to it.

**Mrs MacKinnon:** One thing I think bears noting is that every place we visited had the highest praise for Ontario and the facilities it has and the treatment it gives. Ontario got high praise for what we have. It appears to me that perhaps what we need to do here in Ontario—and this is just my own personal assumption, I am not taking anything from the committee—is to expand on what we have. We—I at any rate—have neglected to look into what we really do have. We have it, but I think we are not using it all.

I do not know whether Mr O'Connor spoke about it, but I was impressed by the way every facility does a full assessment of each and every client-patient. This full assessment can take, if I remember correctly, upwards of a week. That impressed me, because I do not think you are going to treat anybody properly if you do not do that full assessment—physical, mental, healthwise, every aspect of the human body.

Cross-addiction is quite prevalent. I was absolutely amazed at how much cross-addiction there really is. That was news to me. The other thing I found rather astonishing was how many airline pilots are clients, patients at these various places. I was just amazed. However, the Air Line Pilots Association is commended—

**Mr Tilson:** You know you are talking to people here who are afraid of flying.

**Mrs MacKinnon:** Sorry. But there is a positive side to this in that the Air Line Pilots Association has a great program in place whereby those people can get their treatment and they do not have to wait around. As a matter of fact, it sounded to me like management takes the lead and says, "You've got a problem. You go or you don't have a job." I think they get quite strong on that.

I am very pleased I went. I am not going to be a cry-baby, but I am going to tell you, it was gruelling. If you want a boss, you want to have Franco around. My word, he just really keeps you going, and when things do not go right, Franco straightens them out, trust me. But I enjoyed it and I really am glad I had the opportunity to go. I look forward to seeing the Ontario facilities, I really do. But it is a pretty sad note on our society, it really is, to see 13-year-olds being treated and babies being brought into the world already addicted. It is really sad.

**Mr O'Connor:** I guess there are a couple of things I should add. There was some concern raised when we were at one of the facilities. One of the presenters had mentioned that the addicts they get from Ontario seemed to be worse than addicts they see from the United States. But of course he went on to clarify that by saying that people with addiction problems whom we do send down there are in some of the later stages of addiction and definitely need an in-house sort of treatment. So out-patient treatment perhaps is not the best for these people.

We are getting probably the best value we could by sending these people down there. The assessments were proper and they concurred that our assessments up here to begin with, the initial assessments, were actually right on the mark and these people did receive the treatment necessary.

Another thing that was quite impressive was the different ways, as Ellen MacKinnon has mentioned, of assessment there, the group assessment, and utilizing all the possible people they could in trying to come up with a team approach to this group assessment. Beech Hill was probably the most impressive as far as that goes, because they utilized the nursing staff to the greatest extent and were very proactive. The nurses on the different wards taking care of the needs of the patients shared the shift-work approach to taking a look at the needs. There was always somebody there and they were very proactive to the needs, as opposed to reactive and trying to put out a fire after the fact. I was quite impressed with that.

**The Acting Chair:** I would not mind adding, it would seem that if a patient comes back again, they really look very carefully as to whether they can even help. It seemed to me they were not continuing to bring patients back, and I think that is what a lot of people in Ontario were afraid of: just wasting our money and continuing to milk the system for all it was worth.

At the facilities we saw they tried to assess how long it would be; that was the length of time and they did not seem to want to prolong it. Certainly it would seem a fairly expensive treatment, but then, how can you put a value on this? I agree with you, all of the facilities, while each had its little individual traits, were really very caring and wanted to help solve the problem. I think it was really good that they



had the medical experts there, too, because so often there are medical problems with prolonged substance or alcoholic abuse.

The waiting lists, I do not think you mentioned that, are our problem here. Maybe that is something we would want to look at: why we have such waiting lists here and how we can best attack that part of the problem.

Another thing I was really impressed with was the after-care. You mentioned Beech Hill, and I believe there are six aftercare facilities here in Ontario related to Beech Hill. They really do everything they can to track the patients afterwards to make sure they are remaining on track.

I am really looking forward to visiting Bellwood and Donwood. I do not know what their facilities are and it is really unfair at this point to even comment on our facilities here in Ontario. I am looking forward to those visits so that we can really do something positive to make our system better, because obviously it would be far better if we could treat them here.

1110

**Mr White:** Thank you, Mrs Fawcett. I am in receipt of a report from Mr McLellan about the waiting-list issue. Is that correct, Mr McLellan?

**Mr McLellan:** Yes.

**Mr White:** I am wondering if it is within this committee's mandate to consider that kind of report in regard to these centres at the end of our deliberations and to make recommendations from that and from our understanding of the situation, because, as I understand from some of the variables which were mentioned by Mr Lurie, it may well be possible for us to contain within Ontario the need for residential treatment facilities for adult substance abusers. If that is the case, we may be making substantial savings to the provincial Treasury and of course offering service here in Ontario which is more affordable and probably better than it is elsewhere.

**The Acting Chair:** I do not know about the "better," whether I could agree with you there. I have to wait to see what we have here, but certainly I agree that it would be far better to treat them, and maybe with the money that is not going to the US we could treat more here and so really address the problem that way.

**Mr White:** Perhaps that is our Canadian modesty, but certainly my experience from American facilities is that while there are some which are, as Mr O'Connor was suggesting, really top of the line, for the most part I think our facilities here in Canada, within this area and certainly in a whole range of mental health and other kinds of health facilities, are top of the mark overall.

**The Acting Chair:** Definitely. We just need more of them, so that we can help more people.

**Mr White:** Indeed.

**Mr O'Connor:** To say exactly where we are now, as far as the Ministry of Health goes, there was an announcement about a week and a half ago, on the 25th I believe. There was increased spending put into the coffers of the Addiction Research Foundation to develop a registry, and also more money put into assessment and referral centres

which included increasing the staff to take a look at some of the needs. I think that was around \$3 million.

**Detoxification centres:** there was more money allocated for them to take a look at some of those needs. The mixture of residential and non-residential was also addressed. That is something we have to take a look at because right now in the province there are about 20,000 patients being treated, and of course what we have going to the US is the overflow from this.

So maybe we can take a look at the increased spending in that direction and assess whether there should be a little more money or whether the money is actually going in the right direction. Perhaps a person to review that with us might be George Mammoliti, the parliamentary assistant for the Anti-Drug Secretariat, when he brings his report to us, because he will have a better grasp on exactly whether that is addressing the Ontario need as it exists today.

**The Acting Chair:** Right, and stressing the aftercare. I did not hear that when the minister made the announcement; maybe it is there, but that is something I really feel is absolutely necessary, because we know that with addiction it is so easy to fall back unless they have those support systems.

**Mr O'Connor:** When we were at Beech Hill Hospital, I believe it was, they mentioned the bell-curve approach to treatment and that perhaps we spend a bit too much time trying to assess people, and the in-house treatment is too quick, and then they are back out without having long term follow-up, and that is the approach we should be taking: the follow-up, the aftercare. Maybe what we need to do is look at reversing some of that and increasing the access and everything else, but making sure that the aftercare does take place, as you mentioned.

**The Acting Chair:** Right, and the waiting list. Obviously you cannot wait. With some other diseases or physical disabilities maybe there is a waiting time, but with drug and alcohol abuse, it is something that needs to be addressed as soon as possible.

I think it was a very beneficial trip. I would just like to say thank you to all the people here who went with us and organized our trip because we did learn a lot.

**Mr White:** Indeed.

**Mr O'Connor:** Perhaps we should in fairness ask our researcher, who is with us and took copious notes as we were travelling—

**The Acting Chair:** That is true.

**Mr O'Connor:** —to add anything I have overlooked that should be mentioned at this time. I know there was discussion around the not-for-profit and non-profit aspect of it, but there could be other things that have been overlooked in this brief summary we have given this morning.

**Mr McLellan:** I would like to point out as well that we are at a middle point in this investigation. We have not prepared an interim report for release, so this is still very much in the preliminary stages. As Mr O'Connor pointed out, the announcement of September 25 pointed to four areas that the committee expressed concerned about in the United States. The registry system will address the waiting list and also the assessment referral and detoxification centres, as



well as the new programs. That was subsequent to our trip to the United States.

I think the committee's work has dovetailed very nicely with previous work. Mr O'Connor referred to the report and that research is under way with Mr Mammoliti's group. Back in 1985 the Addiction Research Foundation released a report entitled *Alcohol Treatment in the United States: a Review of Selected Programs*. I had a chance, following our trip to the United States, to go back and look over the recommendations and conclusions of that report of some six years ago. It seems that a lot of our findings dovetail and, as I say, are reinforced by what was found in 1985. So I think we have certainly covered the main points, and our selection of institutions by the clerk has been effectively dealt with.

As we noted, for example, in the United States they have a strong focus on the Alcoholics Anonymous approach. They stress aftercare, as the Chair has said. They have a strong marketing force in the United States, which we acknowledged when we were down there. The question of accessibility some six years ago was also a factor in patients going down there from Ontario. The US and Ontario treatment methods are similar in many respects. They seem to use fewer professionals in the United States and more paraprofessionals than is the case in Canada. That was noted by the deputy minister when he was before this committee back in June. Also in the United States, I think the committee noted, there is a very heavy stress on residential treatment as opposed to non-residential. I think the non-residential is an option the committee has discussed with the Ministry of Health.

The anti-drug strategy: I had a chance to go back through its report of 1990 and again to look at its 30 recommendations. There were many points this committee considered in its trips to the United States. I will not run through those now, but some of those we will have a chance to look at as we consider our report. One of them the committee has been concerned about and that is the involvement of professionals and institutions with people in the prison system. But, as I say, we will have a chance to go through and look at those reports.

I think, in the committee's initial discussion and review session back in August, there were four or five main themes we raised that were of concern to us: (1) the inmate rehabilitation program; (2) the inpatient/outpatient treatment, those options and the whole issue of cost-effectiveness in that regard; (3) the adequacy of substance abuse facilities and in what way the committee could make recommendations or consider options to provide additional services in the most economical way; and (4) the question of substance abuse training for counsellors and professionals, not just in those institutions and facilities, but also in the police force for teachers and guidance counsellors.

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Mr O'Connor has done a very good job of going through the summary of the five facilities visited. From my summary notes, areas the committee may want to look at again in preparing its report might be the desired effectiveness of new programs for adolescents, women, multicultural and native groups and the university community as well.

The committee may want to consider the profile of Ontario patients, which has been touched on this morning, the issue of the correctional system and how effective programs are in dealing with people in the correctional system in Ontario, and the issue of waiting lists, which Mr O'Connor has touched on briefly. Some of these have also been dealt with in the September 25 announcement by the ministry.

The chair has touched on the question of aftercare systems, the cost of US programs versus the cost of Ontario programs, and the referral process and how effective that is within industry. We have requested information on the dialogue with industry and business and that will be coming to the committee for consideration. Other issues are innovative treatment technology, a point raised by Mr O'Connor; the educational preventative programs for substance abuse; home care as an alternative; facility design, a point raised at the Hazelden centre; counsellor training; and outpatient adolescent treatment programs, which we discussed at Fairview Deaconess.

Those are just some of the themes that came out of the discussions and out of my notes. They reinforce and stand behind some of the comments of the members this morning.

**Mr Tilson:** When we first look at this issue we are concerned with some of the promotional activities of some American institutions in trying to get citizens from Ontario to attend these institutions. This whole subject, which both Mr O'Connor and Mr McLellan have dealt with, needs follow-up. Were you able to have any candid discussions with individuals who worked at any of these institutions? I am sure the formal presentations were all very informative, but it would be useful to know whether these institutions send people to Ontario to encourage individuals to come on down to Spofford Hall and spend a few weeks. Those are the sort of almost scandalous remarks that we have heard, that the press has talked about. Were you able to determine whether that does exist?

**The Acting Chair:** I would think it does exist, but certainly at the facilities we visited I did not get the impression that it happens. They spoke of other facilities that certainly do that, and they made very disparaging remarks about those kinds of facilities. But, Mr O'Connor, maybe you would like to say something too.

**Mr O'Connor:** There was a formal presentation in every facility we went to. We also had a chance to tour the facilities. Of course, anonymity of the patients there had to be respected—we could not very well intrude on their rights and their privacy. But in most cases we broke up into smaller groups as we were touring so that we could ask individual people who made the presentation about different aspects of the treatment. In smaller groups we were allowed to ask a little more candid questions and a lot of that was shared after the fact in our subcommittee meeting or caucus meeting—you would almost say a non-partisan caucus meeting. It was refreshing.

Each facility had varying degrees of support for the AA principles. Some had a lot more meetings in-house. Some had a much better developed network for the patients who returned to Ontario to make sure they got out to the meetings they need, and the support network was there. Again,



Beech Hill strikes me as one of the finer ones, because one of the things that struck me there was a new program that we had not even heard about. In the AA programs, Alcoholics Anonymous is the biggest part, and in the supporting aspects there is Alanon for the spouses and Alateen, but Alatot was something new that was mentioned there, and I thought that is a terrific thing, trying to deal with the whole recovery program—and of course, the statistics of alcoholic parents and the next generation being alcoholics. I think this is something new. They worked through some of the day cares and early school programs, and it worked really quite well. It was something new to me. I had not heard of it before and I was impressed by the progressiveness of it. I had not heard about that in Ontario.

**The Acting Chair:** But they seem to have their connections here in Ontario whom they would check with and make sure that the patient was dealing with the Ontario-type groups, rather than, let's say, bringing them back to the United States.

**Mr Tilson:** Did you get into any discussions as to how people from Ontario came to find these places?

**The Acting Chair:** Through their own physicians in some cases.

**Mr Tilson:** What was the referral process? Doctors would refer people to these institutions.

**The Acting Chair:** Yes. Ellen?

**Mrs MacKinnon:** I think it is perhaps noteworthy—I am not too sure which one it was; it was the one where they had the longest hill in the world. They have an office in Ottawa whereby people from here could make that contact out of sheer desperation. There is no place here, they are in very bad straits, and through the gentleman who runs the office in Ottawa they go down there.

You could go to Timbuktu. If you are going to get treated, best you get treated rather than be a calamity on society. Although I would like to see us doing it here in Ontario, I am thankful there is a connection in Ontario, that they can indeed get there, albeit they may be very desperate by the time they arrive there. But I also had the impression from some people I spoke to that the American population is not neglected at the expense of Ontario patients. Am I correct? I think their own clients perhaps come first.

**The Acting Chair:** To me there just are not any waiting lists there.

**Mrs MacKinnon:** No, there are not, are there? But their facilities are quite huge too.

**The Acting Chair:** People who want to go seem to be able to be taken in and then there are still opportunities for Canadians—

**Mrs MacKinnon:** I think perhaps there was in some of them—not all of them, but I felt that in some of the facilities we visited—there was just a tiny bit of apprehension that just maybe they will lose a few clients, not ones they have already but maybe we would not be sending as many down. They might be looking well to their own facilities and how they are going to handle it in order to keep themselves viable. I could have had that wrong impression, but there were a couple of times that came through pretty loud and clear to me.

**Mr O'Connor:** The facility you mention was the Beech Hill facility, the one at the top of the hill. That was probably most evident, as subtle as it was, in the one that was for profit. In most cases, though, I felt the staff were really concerned about serving the clients and, in fact, if it was possible to set it up in Ontario they were more than willing. I believe it was Fairview Deaconess that volunteered to offer their services in any way they possibly could to provide the information necessary. But Fairview went right out of their way to make sure that we would follow up. I believe they had a network that reached up into Ontario as far away as Ottawa.

**The Acting Chair:** Was it not at Hazelden where they even had a Canadian taking courses? They offer courses on how to deal with it.

**Mrs MacKinnon:** That is the gentleman I was referring to.

**The Acting Chair:** They offer the courses to Canadians so that we can come back up here and set up a good program. There seemed to be a sharing back and forth in the facilities that we visited.

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**Mrs MacKinnon:** But in all fairness to Mr Tilson's question, I do not believe the particular facilities we visited were aggressively seeking clients in Ontario. I do not think that was happening. It was more or less because of reputation, perhaps availability, but I do not think they had to go out and aggressively advertise or anything, I do not believe it was necessary. I do not think they were having a problem keeping their establishments full at all.

**The Acting Chair:** Is there anything anyone has to add? Then we will look forward to next week's visit. The clerk will be making contact with our offices to make sure we all can get out to Bellwood and make all those arrangements. I believe around 8:30 is the time we will leave, so if that is all, we will declare this meeting adjourned until next Thursday at 8:30.

The committee adjourned at 1131.



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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday October 24 1991

The committee met at 1007 in room 228.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1990

### ADDICTION RESEARCH FOUNDATION

**The Chair:** The committee is looking at the question of addiction and the facilities that are available in the United States and what we have here. We have asked you to come here to apprise us of what information you have through the Addiction Research Foundation. I do not know about the other members of the committee, but one that interests me is that about three weeks ago it was indicated that the degree of alcohol addiction, or perhaps it was drug addiction, had declined. Maybe you would address that, because it is certainly not obvious to one who is not deeply involved in it that this is the case.

**Dr Rush:** I can comment on that briefly. The foundation, for quite some time, has been monitoring the extent of alcohol and drug use through surveys of the general population and the school population. The overall trend in those data seems to be going down and it always surprises people. I think it is a reflection of the extent of alcohol and drug use through the entire population, which often stands at odds with the perceptions of people who are dealing with very specific segments of the population; for example, street youth, the unemployed, people who are disfranchised and so on.

It is really a reflection of what is happening overall and it is not meant in any way to indicate that there is not still a significant problem out there. Certainly I do not think it is meant to imply that there is not a need for more treatment resources, because there are lots of other data that are available to suggest the province is in fact still undersupplied with treatment. It is a positive sign, though, that if you take a survey of your average high school, those students using alcohol—and I think the most recent survey was one of the first to show a decline in some of the other drugs for your average student—are experimenting less and using less.

It seems to be moving to two kinds of populations of alcohol and drug use. There is a disfranchised segment of society that continues to use drugs and is using drugs extremely heavily, and some extremely dangerous drugs, but for mainstream society—you and I and maybe our children—there is certainly a positive indication.

**Mr White:** Following that along, you were talking about perhaps a general disfavour with the use of alcohol and illicit drugs. Is that reflected at all in terms of the treatment requirements?

**Dr Rush:** Not really. The data we have on the treatment system show that certainly over the last decade the number of people in treatment has continued to increase quite rapidly. It might mean that we were just extremely

short-supplied earlier on, or it could mean that there is a lag or delay. As people continue to drink or use drugs the problems they experience are somewhat delayed from when they are actually involved, such as cirrhosis for example. It takes quite a number of years.

**The Chair:** Could I just ask you, perhaps for the benefit of all of us, to outline what the Addiction Research Foundation does? How is it physically set up? Does it actively treat addicts? Does it do research into advanced ways to deal with addiction? Finally, have there been any significant breakthroughs in terms of treatment of alcohol or drug addiction? Does that fulfil the committee's wishes? Then you can ask questions.

**Mr O'Connor:** Are we going to go through the Drug and Alcohol Registry of Treatment program?

**The Chair:** Yes.

**Dr Rush:** I will start with a bit of preamble about ARF generally, if that will be helpful. I guess the answer is, all of the above. The major mandate of the organization is to provide research into alcohol and drug problems, but more than what I would call a kind of ivory-tower approach to research. What I see in the organization is research intended to lead to the development and improvement of our prevention programs, treatment centres and so on.

It is quite a different type of research than you might see, for example, in university settings, where the application of those findings might be seen as being somewhere down the road. There is biomedical research. There is research on the effects of different drug treatments. There is research on the effects of different prevention programs. There is a major clinical component treatment centre here in Toronto that is referred to as the Clinical Research and Treatment Institute. They see many thousands of patients each year, not all of whom are in a research context. It is seen as a major service provider in Metro and really a provincial resource for many kinds of problems.

There are also a large number of staff distributed throughout the province and their job is to help co-ordinate or develop treatment and prevention programs at the local level. They are a resource to the district health councils, schools and industry to help them develop programs within their communities. It is really a multifaceted organization. You cannot say it is just research; you cannot say it is just treatment; you cannot say it is just prevention. It does quite a range of things.

Where I fit in, and where the registry fits in, is that for quite some time one of the major programs we have had under way in the Addiction Research Foundation has been to monitor the development of all the alcohol and drug treatment programs in the province. These programs are funded through many different branches of government,



including federal and provincial, and it has been extremely difficult to keep track of what is going on out there. The project we have had under way since 1980 has been to monitor the comings and goings of the programs, the number of clients, the types of clients being seen, what it is costing the province. Most important, if the government of Ontario has established certain priorities or policies that it would like to see implemented in the way of developing alcohol and drug treatment services, then our surveys are the only means we have of monitoring the extent to which those policies and programs have been successful.

For example, if it wants to put its money into one or another kind of program or shift money towards young people versus older people, then it is the surveys we do that monitor the extent to which we have actually been able to accomplish that and to get those kinds of programs going and to see how they are used, what they are costing and so on. We are kind of a watchdog, so to speak, for the development of alcohol and drug treatment services. We use that information to help local communities or different branches of government plan new directions. We are quite closely tied to different planning and policy groups within government and locally, using our information and needs assessments to establish what is still required for new services.

I think those experiences really were what led us to the treatment registry. I can give a little bit of background, if people want. When people within OHIP and the Ministry of Health were looking for someone with the expertise and the credibility to mount a project such as this, quite naturally they looked to the Addiction Research Foundation as having the research capacity and also the knowledge of the treatment system in the province to carry it out.

Is that enough background on what we do? I would be happy to provide other information to you in writing or after about the organization as a whole. There are certainly lots of briefing documents about the scope of the organization. Where I fit in is as an expert, if you will, on the alcohol and drug treatment system and someone who was asked to take on this project for the development of the treatment registry.

**The Chair:** The registry is up and running, I gather.

**Dr Rush:** Yes, it is.

**The Chair:** Have you had success in being able to pinpoint where there are services available?

**Dr Rush:** Yes. Can I come back to that by giving a bit of background, where we are, what we do and what the objectives of the program are? Then I will conclude with some comments about what we have been able to see already.

We have only been running for about three and a half weeks, so it has not given us a lot of time, but I think some impressions that we had early on are being confirmed. For example, some kinds of treatment programs out there are full. There is not much slack in the system. Other kinds of programs seem to be underutilized. I have some questions about that, but I can come back to that.

I think the idea for the registry really came about in response to the number of people going to the United States for treatment. I am going to cover the four objec-

tives of the program and, I hope, leave you with the impression that if no one was going to the United States for treatment, there are still lots of good reasons to have a registry like this. If that problem goes away, then I think there are still some things the registry can contribute to the province's alcohol and drug treatment system. But it really came from people within OHIP and within other branches of the Ministry of Health struggling with the issue of so many people going to the United States for treatment and the huge costs that were associated with that.

I think, in a nutshell, people were becoming concerned that many of the individuals going to the States for treatment were being sent without having made any reasonable search at all for treatment in the province. It was becoming almost a reflex action. Certainly, the profit motive that is inherent in all of this for the American facilities clouds the issue as to whether the individual in fact needed to go or whether it was the most convenient route to go. I suppose for the average person on the street, it is the ease with which people were going and the amount of money that was involved from the taxpayers' point of view that really served as a catalyst within the government to finally address the issue.

All that people are asking is not so much to stop the option and disallow people from going but to at least make sure there is a legitimate need from a clinical point of view and that there is a reasonable search in Ontario for our own publicly funded resources, to make sure someone has taken the time to look within the province before the decision is made to go out.

1020

The registry, I think, was part of a three-pronged strategy that we saw develop within the Ministry of Health for dealing with the problem. One was that OHIP would tighten the rules and regulations, and it has already done some of that. I am sure you are aware that they have capped the amount of money they are prepared to pay. They have instituted different procedures for approval and so on. So one part of the solution has been within OHIP, to tighten up the rules and regulations. This has happened, I am sure you are aware, not just for alcohol and drug treatment but really for all health care in the United States, cardiovascular care, psychiatric, brain injury and so on, which by the way is one of the things that really slowed down the process. They felt kind of hampered to deal with the alcohol and drug treatment as a problem itself without also looking at all the other different kinds of health care issues. So OHIP was doing its piece.

Second, other parts of the ministry, the community mental health branch in particular, were asked to increase funding and expand services in the province. So at the same time we reduce access to the States, we provide more services in Ontario.

Third, the Addiction Research Foundation was asked to develop the registry, which would provide a way on any given day of documenting what space was available in the province and also help direct people to that space, again to make the best use of our own resources. The developmental costs for the project were \$1.2 million. Our initial estimate of the ongoing operating cost was about \$300,000.



We will have a final estimate in our submission to the community mental health branch in February or March, which we suspect will be in the range of \$400,000 to \$500,000 annually.

The program is established in London. Because of the nature of the program—it is really a telephone service in a computerized network—its geographic location did not make too much difference. I work in London. Most of the expertise for developing the project was in London. Partly by coincidence, other registries that operate—one other one in particular for cardiovascular surgery also operates in London, at Victoria Hospital. If you need to find quick access to a surgeon for cardiovascular surgery in the province, you phone a 1-800 number or go through some process similar to what you could now go through for alcohol and drug treatment. The staff right now is about nine people.

That is kind of what we do and the background. Does everyone have the handout I brought in? I promise not to take too much more time. The first objective we had was really just to inform people.

**The Chair:** Dr Rush, I missed it. The staff of nine people is DART? There are only nine people?

**Dr Rush:** Yes.

**The Chair:** That is a lot of information for nine people to put together.

**Dr Rush:** I think if there is any reason in the future to expand it, it will be through demand over the phone. When people phone to see what is available in the province, they are in touch with a person, not a computer. You do not dial in directly to a computer. If the program was expanded, say, to the general public or whatever, based on demand, we might have to go to more people, but we have a very efficient method of collecting the information.

**Mr White:** Will you be addressing these phases, what is going on, a little bit later?

**Dr Rush:** Yes.

**Mr White:** I will save my question for later.

**Dr Rush:** I will just quickly cover the objectives. The first is to inform people. Imagine yourself as a physician in Cochrane or a probation and parole officer in Kenora or Windsor or whatever. You have a client in your office with an alcohol and drug problem, and you would like to place that person in treatment. Maybe you are not even thinking about the US issue. You want to know where treatment is available, maybe in your community or in your region or in the province as a whole. The registry provides you with a 1-800 number that you can call. You can indicate what kind of treatment you have in mind, whether it is a residential program, an assessment program or an outpatient program. The information in the computer, so to speak, would be relayed to you over the phone and would give you two or three options that you can explore.

This is the part that so far seems to be going extremely well. We have calls from detox centres, from employee assistance program counsellors in industry, substance abuse counsellors in unions, physicians calling from all over the province. In the three or four months we have been going, in our estimate now, we have done 200 or 300

calls already, directing people to different facilities, so this part of it seems to be very well received. With one phone call you can find out the waiting periods for all the programs in the province. If you then feel that is too long, you can explore other types of options within your community.

**The Chair:** How is that 1-800 number advertised or disseminated? What is the number, by the way? I would like it.

**Dr Rush:** The number is on the pamphlet you have. So far we have done extensive consultation around the province in eight of the major cities: Ottawa, Kingston, Thunder Bay, Toronto, etc. We have done community consultation, inviting a cross-section of people from the community to attend. We are only now gearing up for a major promotion. This pamphlet within the next month or two will be mailed to every physician in Ontario. We intend to do the same with public health units, probation, parole and so on.

We wanted to get the program off the ground and then phase in the promotion consistent with our capacity to handle it. We hope this number really will be at the fingertips of the entire social service system in the province.

**The Chair:** Could I urge you to do something: Write to every MPP in this Legislature. We each have reports that we are allowed to put out three times a year, and it would be very helpful if that was in there for individuals who might need help.

**Dr Rush:** In the community consultations around the province, in some of those instances it was really at the discretion of people at the local level. Many of the MPPs were invited and some did attend.

**Mr O'Connor:** If I may just make a request of the Chair, given that the fine doctor is here to make a presentation to us, could we perhaps make note of our questions and allow him to continue? The question you just raised is very important. In fact, I wrote it down because I was going to ask that question myself. Maybe for the sake of some sort of continuity, so that we could continue to get as much out of him as possible—

**The Chair:** Note well taken. I am just a little over-enthusiastic, I guess. In fact, I had Mrs Witmer on the list and we have not even gotten to her yet. That is fine. I think that is appropriate.

**Dr Rush:** What I will do is try to limit my comments to, say, five more minutes, so you will have lots of time for questions, because I think you have someone on at 11.

The second objective is really part of our contract with the Ministry of Health, that we will provide it with a routine update, a statistical report every day of what is available in Ontario. We have seen this as a basic accountability issue for the ministry. If it is funding programs in the province, it is really its responsibility to know what space is here. There have been situations in the past, I am sure many of you are well aware, where the Minister of Health or even the staff have been called upon to answer questions about why all the people are going to the United States for treatment and what space is available here. In the past they have been unable to answer that question with a high degree of confidence, so part of our project is



to have that information available to you, to the House, to the civil service as to what is available.

The third objective relates to OHIP and the process it has established for people to secure an approval before they go to the United States for treatment. They need to be seen by an assessment centre in Ontario and have a bona fide clinical assessment. They need to see a physician in Ontario who would provide some documentation about physical problems, the extent to which the situation is life-threatening. They are required to call the registry to do a search for treatment in Ontario.

It appears to us that the authority for an approval rests with the district medical consultant of OHIP, so it is not seen as a centralized bureaucracy, I do not think. The physician in Oshawa or Thunder Bay, who has the main responsibility for OHIP, has the authority to approve or reject the application. In areas of indecision he would send it on to head office in Kingston, where Dr Robert Ecclestone is the chief medical consultant. I think he has the final arbitration in some situations. So the registry is tied into this process to make sure there is a reasonable search in Ontario before someone is approved for out-of-country treatment. There have been situations now where I think we have seen those approvals go through.

1030

We had a situation the other day, someone with a severe psychiatric disorder, in fact multiple personality, and there was no treatment resource available in a reasonable period of time in Ontario for that individual. I believe she was approved to go to the United States for treatment. I think there will continue to be examples where the treatment system in Ontario right now cannot respond quickly enough or where the needs are so individualistic that the options to seek treatment in the United States will remain.

I guess from where I sit and offer you my opinion as someone who knows the treatment system, we should be concerned not to throw the baby out with the bathwater. If we are going to tighten the regulations, do the registry, the whole thing, we should ensure that in cases of legitimate need, the US option should remain, but there should be a reasonable search before it is sought out. I think "reasonable" is kind of the thing I would like to highlight.

The fourth objective relates to using the information in the registry as a way of identifying where our system needs improving. You could picture a year from now—I would guess a ballpark figure—we would probably have done 3,000 or 4,000 telephone calls trying to link people to treatment in the province. The kind of treatment they are after might be quite different from what is available or what they eventually end up using. So if we can compare what they needed with what they got and some outcome associated with that, we have a very rich source of information on where the gaps in treatment might lie.

I will give you a couple of examples. It would appear now for people calling to find a treatment spot in Ontario for someone 12, 13 or 14 years of age with very severe alcohol or drug problems, if they in their opinion think that person should be in a residential facility, taken out of his environment, treated in that kind of context, it is very difficult, if not impossible, to find a treatment centre in the

province that could take that individual. So over time we would have the information to say, "Yes, I think we need to devote more resources to young people, to native people, people with certain disabilities, this part of the province compared to that part of the province."

In terms of the phases to program development, we are just now entering the second phase. We went through a very busy summer. When we put this project together. We started in May and opened the phone lines on October 2. That was the deadline given to us by the Ministry of Health. I think the idea was that the OHIP regulations were going to change around October 1 and it hoped to have a new funding announcement for how it was going to expand the treatment system around October, and it asked if we could put the registry in place for October. We said yes, but asked for an additional six or eight months to iron out the bugs and so on.

It was an extremely complex project. I do not need to go into that, other than to say there are about 200 of these programs and they offer very varied services. They are funded by different ministries. There is no legislative authority even requiring them to participate in the registry, so we are relying on their goodwill, the perception that we will make a contribution to the treatment system and so on. So I will just describe it as a gargantuan effort to get this thing under way in four months and we are pleased—actually I am ecstatic—with the progress that we have made and the extent to which it is already operating quite smoothly. But we have asked for another eight months, through to May 1992, to get the bugs ironed out, to see in what ways we can improve and so on. There is a fairly comprehensive evaluation of the project under way. We would see May 1992 to May 1994 as kind of the full operational period.

The Addiction Research Foundation agreed to take on the project as a three-year demonstration project. This is something new to the alcohol and drug field and I do not think anyone, including the Addiction Research Foundation, wanted to take it on as a long-term commitment without getting it running and seeing how it is going to work. As I say, there is a fairly heavy investment in program evaluation to see how it is going to work, and I do not imagine it would be discontinued. It seems to be something that already looks like a winner, but whether the Addiction Research Foundation would continue to operate it is certainly open for question. It may become its own independent agency, part of the ministry, maybe part of other ministries; I do not know. We took it on as a three-year demonstration project and then it just kind of evolves into whatever, based on the data.

The next page really shows how it works, and then I think I will stop there. Think of the registry in the middle, and it is really no more than information in and information out. All of the treatment programs in the province—there are about 200 of them participating—send information to us either every day or once a week about space that they have available or an estimate of when the next available space will come up.

If you are phoning in, for all the programs of the type you are interested in, I can show you on a computer screen



if there is any space today. If there is no space today, I can give you an estimate of when the next spot will be available and kind of give you over the phone a shopping list, so to speak. Most people kind of go away with two or three or four options, and some of them have phoned back, as I have mentioned, and been quite delighted with the service, about having a place they can call simply to shop around.

Again, picture yourself as a physician in Stratford. You do not know anything about the alcohol and drug treatment system. All you know is that a person sitting across from you has a horrendous problem. With a call to this number, you can see what the status is at Homewood, Donwood, Bellwood—really anywhere in the province.

The left side of the chart really shows who I would call our main clients, and that would be OHIP itself that is calling about the availability of treatment for people applying for out-of-country; calls coming to us from alcohol and drug services that have clients they are trying to place either in aftercare or assessment or whatever; calls coming from really across the whole health, social and correctional service system, and the reports that we have available daily to the Minister of Health.

I think really that is all I will say, other than you might want to skim over the things that we do and do not do to help you phrase some questions. Maybe the one question I will anticipate is, is the service available to the general public? The answer is no.

I would like to explain that. It is not really seen as a clinical service that we are providing. If someone calls and asks for a particular type of treatment and he has not yet talked to a counsellor or been involved with a physician or any health care provider, we do not know if that is the type of treatment he requires.

We have had some calls from the general public. They are directed to their local assessment or the detox program. They are not left high and dry, and I would like to really emphasize that. They are not kind of given the runaround, but we do not engage in a discussion with them about what type of treatment they need. We try and steer them to a local resource, and then that professional who they come in contact with after they have been assessed would call us and we get into a dialogue then with the professional on behalf of the client.

In some other countries, in Australia in particular, there is a program. It is a 24-hour information line which is staffed by trained counsellors who do what I have just described. They will do a clinical assessment over the phone and direct people to different programs around the country. We felt that was moving a bit too fast. I am not saying that kind of thing would be ruled out in the future. There are programs offered through the provincial anti-drug secretariat, a help line for the general public. The Addiction Research Foundation offers other programs, information lines, to the general public. Maybe at some point down the road these can be merged, but for now we felt, especially given the time frame we had, that we would direct the program to professionals acting on behalf of the consumer and do our best when the general public call to

steer them towards self-help groups, assessment centres, or whatever. I think I will stop there.

1040

**Mrs Witmer:** I appreciate your presentation very much. Actually, I have had a number of parents contact me this past year because of concerns they have had with their young people and the inability to get treatment. I am really pleased to see that this service has been developed, because part of their frustration was based on the fact that they wanted to go to the United States and yet they were prevented from doing so. In two cases I was able to put them in touch with the appropriate people. Because of lack of facilities for the age group you are talking about, there just does not seem to be anything available for the younger teenager. It is very frustrating for the parents.

Do you see yourself playing any sort of a role in encouraging the government to develop programs for these young people in the future, or do you think it is going to be a long time before we see anything available in Ontario for these young people?

**Dr Rush:** We are quite closely tied to the people who make decisions about funding programs for young people. We are funded by the same branch of the ministry involved in deciding on those programs, namely the community mental health branch of the Ministry of Health. As I said, one of our objectives is to document the needs we see around the province, and we have been very upfront about that.

I would like to add that in terms of the under-16 population, it does appear there are outpatient programs being developed for these young people through the Ministry of Community and Social Services in concert with the Ministry of Health. What seems to be at issue is the extent to which these young people should be in residential programs, removed from the home environment and placed in a 28-day or longer program, as in the United States. I think there are situations where that is needed.

One thing we have seen in the registry data already is a reluctance to use outpatient programs. It is something we have seen for quite some time in Ontario really, but now we have the data. We can show there is very little space in residential programs, yet when virtually the same kind of program is offered on an outpatient basis in the same community with exactly the same counsellors, people will not use it. There continues to be a bias or a perspective that to get alcohol and drug treatment, you have to go away somewhere. That applies for some people, but not for everyone.

**Mrs Witmer:** In the case of these two youngsters, one was a male and one was a female. They were both street kids, so they were no longer living at home, and the parents felt that was the most appropriate placement, because they could not be relied upon. These young people have responded extremely well to the treatment. The parents are keeping me informed. I am glad to hear you say you are not going to cut off treatment in the United States, because I think as long as there is a need, we have to make sure we provide treatment wherever it can be found.

I would certainly follow up on Mr O'Connor's comment. My office gets a lot of calls and I want my staff to be



aware of this service. I think we act as facilitators, so whatever you can make available to us in our constituency offices, I certainly would appreciate.

**Dr Rush:** One thing I would encourage you to do is find out where the closest assessment and referral centre is to your constituency office.

**Mrs Witmer:** We do have that.

**Dr Rush:** I think that should be available. Even if we are unable to link you up, put the person in touch there and have him call us. Someone at the assessment centre can provide some continuity to the client at the local level, which obviously your staff would really not be able to do.

**Mrs Witmer:** That is right. I guess what I am saying is that they need the awareness. I did not know this was in place and have all the information, myself until this morning. I think it is important information for them.

**The Chair:** I have just been told that research has a list of all the assessment centres, or will try to get one, for all our ridings. Perhaps we could ask that they be made available to all the members of the Legislature, along with maybe a letter from this committee outlining the DART program and their closest assessment centre and ask them to put it in their householder so it will be readily available to these people.

**Dr Rush:** It may also be helpful for you to have a very clear and precise statement—it is still in preparation but I believe it will soon be finalized—as to the process that individuals must follow if they wish to seek treatment in the United States. Since the OHIP regulations have been changed as of October 1, and with the registry, there has been an awful lot of change in a very short period of time. I would say half the calls we had to the registry in the first week were not to find treatment but simply to explain the process.

If you are gathering some materials to keep in your local constituency offices, there is a one- or two-page statement in preparation by OHIP and the community mental health branch which will very clearly state the rules, the regulations, how you go about it, the role of the assessment centre and so on. If you can at least explain the process for the public, you are halfway there. Then you explain what is available in Ontario, I think.

**Mr O'Connor:** Thank you for coming today and sharing your information with us. I have a number of questions on your presentation. One thing that was brought to our attention when the Addiction Research Foundation was here before us earlier on was identifying trained people. I will bring it in line with the DART program. Do we have enough trained people to provide the service in Ontario and what is the accreditation procedure for treatment centres and for the people providing the treatment in Ontario? Could you share a little bit of that with the committee, please?

**Dr Rush:** There is no uniform standard that is required by government to be an alcohol and drug counsellor in this province. Many of the people who are counsellors and working in the treatment centres have gone through their own accreditation procedure within—I cannot name

the organization off the top of my head, but a known professional association of addiction counsellors, and they have certainly met the requirement of the management and the staff and their board as being bona fide counsellors. But to my knowledge there is nothing to prevent anyone from hanging out a sign in Ontario saying "I'm an alcohol and drug counsellor" and advertising for business.

I think this is something that should be addressed in the system. It really is around the whole issue of quality assurance. It is broader than just the credentials of the staff; it is what kinds of treatment should be offered and how many staff people should be available for any given individual.

In many types of facilities these things are all worked out. I do not think we have that in Ontario. Part of the reason is that historically they have been funded through so many different branches of government—the Ministry of Correctional Services, the Ministry of Housing, the Ministry of Health, the Ministry of Community and Social Services—the United Way and so on. Historically it has been a very fragmented system. A lot of the changes that are coming try to make it a more centralized, systematic kind of planning. With that, I think we need some attention to the credentialing.

**Mr O'Connor:** In the gathering of information for the registry, will some of that information then be provided for a report to the Ministry of Health—or the anti-drug secretariat may be more appropriate—so that it might look into a way of trying to make sure that we are providing a quality program through some sort of assessment of the centres themselves?

**Dr Rush:** I do not know to what extent DART can help. They are well aware of the problem and will not need too much from us. Where I think the issue involves the registry is that many people who are private counsellors or who are part of agencies that maybe provide some service to alcohol and drug clients but are not specialists or professionals have asked to be listed on the registry. We have had some difficulty deciding whether or not to include them, because we have no standard from government that says they are or they are not.

We have certainly raised the issue several times already with the Ministry of Health in terms of the credentials and the quality assurance issue as to when someone is legitimate enough to include on the registry. Our objective is to inform people about alcohol and drug treatment, and if we cannot define really what that is from a quality point of view, you should be able to see the problem.

1050

**Mr Hayes:** On certification or qualification for these counsellors, you say there is no legislation here, but we have also heard stories about people who have gone from here to the United States and taken the treatment in a matter of weeks or a couple of months. They take the treatment and then they come back here as counsellors and refer people to some of those places. Is there legislation there?

**Dr Rush:** I am not an expert on all the legislation, but I do not believe so.



**Mr Hayes:** So really there is no difference. There are no real qualifications over there either.

**Dr Rush:** Over there, for that individual to operate within some of the states, I believe he would be required to have gone through a formal accreditation process, but I do not believe there is anything preventing him from coming here without those credentials to advertise himself.

**Mr O'Connor:** I think the program he is talking about is through their education program down there, not going through the treatment program.

**Mr Hayes:** Not a training program but a treatment program.

**Mr O'Connor:** No, but the person from Ottawa whom we saw was going through a training program.

In the registry then, the private and public centres, where do the numbers fit as far as who funds them? Let's say "public" is something that is non-profit as opposed to a profit-making centre, and Ontario centres, comparing the numbers to US centres that are part of your registry right now. I suppose you could use the same ruling for both sides of the border, but what I am looking at is the number of places you have registered so far.

**Dr Rush:** In Ontario there are very few private, for-profit organizations. I could list them on one hand, with the exception of private counsellors where you might pay \$50 or \$100 an hour or whatever. We have started the registry program listing only programs which receive some government funds. For a program to be listed, it may have a part of its service which is fee-for-service, for example Bellwood Health Services here in Toronto, but it also receives some government funds so we have put it on the database.

It is not an either/or situation. You can have some hospitals in Ontario which provide alcohol and drug treatment that have different rules of thumb for private, semiprivate or ward. If you have private insurance or if you can pay the difference, you can get in quicker than if you just take a spot on the ward, where you will have quite a bit longer wait. Even some of our public programs have fee-for-service options. It gets a bit confusing.

**Mr O'Connor:** In the United States the numbers—

**Dr Rush:** In the United States there are many more.

**Mr O'Connor:** No, I mean within your registry right now.

**Dr Rush:** Within the registry, we do not list any American programs.

**Mr O'Connor:** It is all Ontario programs.

**Dr Rush:** It is all Ontario programs. We asked the Ministry of Health if they wanted us to list any of the American programs and the answer was no.

**Mr White:** I have several questions. If I could start at the outset, you have been the program director of ARF for how long?

**Dr Rush:** I have worked with ARF since 1977.

**Mr White:** And you have been program director since when?

**Dr Rush:** I have been assigned responsibility for this project, so I have a title of project director for DART.

**Mr White:** Oh, so it is project director for DART. Are you the program director for ARF as well?

**Dr Rush:** No. I am a senior scientist within the organization with other projects on my plate. This is one of the them.

**Mr White:** You are a doctor. Is that an MD or PhD?

**Dr Rush:** It is a PhD.

**Mr White:** Who is the present executive director?

**Dr Rush:** Mr Mark Taylor.

**Mr White:** And the present program director?

**Dr Rush:** There are many different programs. There are a variety of vice-presidents and program staff and so on.

**Mr White:** We have a couple of problems with that. It says program director here. It looks like Mr Crowley is a parent as opposed to an executive director. It is good to have that clarification.

**Dr Rush:** I am the director of the DART project.

**Mr White:** There are a number of questions following that. You talked about credentials and training for addiction counsellors. I was struck with that because as a counsellor myself, I have a certificate from the Addiction Research Foundation saying I have completed a course in addiction counselling. So do many of my colleagues. The Addiction Research Foundation is one of the most established institutions in the field, in the province and the country. I have always thought that gave me some market credentials.

**Dr Rush:** I am not questioning that. I am only saying you do not need it to say you are an alcohol and drug counsellor.

**Mr White:** No. It certainly helps though, as well as my degrees. Would that not be an excellent standard? Is there any attempt to network with the people who have those qualifications?

**Dr Rush:** There are lots of attempts from the bottom up, so to speak. There is an association in the province, the Alcohol and Drug Recovery Home Association, which represents all the residential programs, recovery homes and so on. They have also initiated their own credentials process. The Addiction Research Foundation has its courses. There are courses in at least two of the community colleges, so I think we are missing a universal standard.

We are also missing some legislative requirement that says if you want to identify yourself as an addictions counsellor, if you want to be part of the treatment network, part of the registry or whatever, then you should have something. I do not want my comments to be misinterpreted to imply that the people working in the treatment system are not well qualified, but only that you do not need it. There does not seem to be a uniform standard of training that you have in many other areas of health care.

**Mr White:** Most counsellors who are employed publicly have credentials like myself in social work, which of course is not at all recognized by the province by statute or any other form. I would agree with you that it is important



to have those kind of universally recognized standards, probably also important to include courses on substance abuse in any kind of clinical training program, such as MDs, psychologists or social workers.

That leads me into the issue about the outpatient service. My understanding is that the 28-day formula is a magic number, universally used. You are suggesting there is a gravitation towards the 28-day program as opposed to outpatient or day programs and a tendency to refer to a holus-bolus program. There it is. It is intensive, residential. It may be in North Bay but it is a holus-bolus program. Has there been any evaluation of that kind of programming as opposed to counselling or day treatment?

**Dr Rush:** There have certainly been lots of studies. The best of those studies would take a large group of people and randomly assign them to get one kind of program versus another.

**Mr White:** Which you cannot do.

1100

**Dr Rush:** In some instances we have. We have at least 20 of those studies internationally, and not one of them has demonstrated an advantage to the 28-day residential program, and I would like to emphasize that—not one of them.

What you need to do is separate some of the people who have the most serious problems and refer them to those programs and refer other people who would have less severe problems, who are just beginning to experience problems or whatever, to outpatient programs.

When you start to explain that to people, especially a client, they say, "Does it really have to be that complicated?" You try to recommend different types of programs for different types of people, and so far that is an idea that people resist. They like to think you are an alcoholic or you are not and you need treatment or you do not. They like to see things in black and white, and the black would seem to be residential treatment and the white no treatment. People are resistant to the idea that you have different levels of intervention.

I would like to reinforce that historically there has been a preference for residential treatment that is not warranted in all cases but certainly warranted in some.

**Mr White:** In my experience in terms of working with people with substance abuse or any other form of a disease like that—I use that phrase guardedly because I am not sure I necessarily believe in the disease hypothesis. But is the flip side of "No, I'm not; I can control my drinking; I don't have a problem," to say "I have such a problem I need to be in a hospital"? The flip side of denial is the total holus-bolus, as you suggested.

**Dr Rush:** For some individuals that is what is required.

**Mr White:** Indeed.

**The Chair:** Mr White, I do not want to cut you off, but we have a second presentation.

**Mr White:** We are running out of time, yes. Thank you very much, doctor.

**Mrs Fawcett:** Very quickly, is it your idea that people in Ontario, and I include, let's say, physicians or anyone who would be referring, have an idea that maybe the US facilities are better than Ontario's? Is there that idea, or is

it just lack of education that we do not get our message out that we have top facilities here that can handle these things?

**Dr Rush:** I think what has attracted them primarily to the US programs is the immediacy of access, that they could be there virtually within a day or two days. They will send a plane up to get you if necessary. More than anything, I think it is that which has really contributed to the use of the American programs.

There is a perception among some—I am not disagreeing completely—that because many of the American programs have the credentialing standards and the quality assurance standards they might be better.

**Mrs Fawcett:** And they are advertising.

**Dr Rush:** They advertise very aggressively.

**Mrs Fawcett:** Yet we seem to have beds. When we were at facilities, I do not know that we were full to capacity, but maybe for the type of particular needs we do not have enough. Certainly I would agree for young teenagers. I guess we really have a lot of work to do to sell what our own abilities are.

**Dr Rush:** There is some capacity in the residential treatment centres, but not very much, and there is certainly capacity in the outpatient and day programs which I believe is underutilized.

**Mrs Fawcett:** So we really need to look at expanding our—

**Dr Rush:** The overall network, I think.

**Mr Johnson:** It has taken about four months to set up the DART program and you have been active for three and a half weeks, you said?

**Dr Rush:** Yes, since October 2.

**Mr Johnson:** As I am sure you are aware, and everyone is, the provincial government is trying to reduce its OHIP expenditures, and one of the areas where we see that it is not a cost-effective expenditure is to fund for services in the United States if there are services available here in Ontario. Within your program, do you know now or will you know in the future whether there are adequate services for the needs of clients in Ontario and do you plan to make this information available to the Ministry of Health so that it can possibly use this information in establishing programs in the near future?

**Dr Rush:** I do not see any information that we have now in the first three weeks that would say there is enough treatment here. The waiting period, on average, for the residential programs is a month or longer. In some of the best programs, the most highly respected programs, it is six months.

**Mr Johnson:** So that is the underlying reason for people to go to the US—immediate accessibility to their programs?

**Dr Rush:** That is one of the things. They are not prepared to wait for the length of time in the residential programs, but it ties into the bias against the other types of programs. In some communities the same program would offer residential and outpatient alternatives. The outpatient alternative might have 15 spots available, but if people will



not access it, if people do not consider it to be a viable alternative, they still ask for treatment in the US.

**Mr Johnson:** Within the range of programs, are we top-heavy in one particular area and maybe weak in another?

**Dr Rush:** We are definitely weak in terms of outpatient and non-residential programs, and I believe we are definitely weak in terms of residential programs for young people.

**Mr O'Connor:** I will make this brief because our time has run out. One of the things the registry will do is provide assessment in cases of indecision. You have mentioned you have a staff of nine employees within the DART program. Are they all qualified therapists or something, who can make referrals? I am just curious about it.

**Dr Rush:** They will not provide the assessment over the phone. They will recommend that the individual make contact with the local assessment service.

**Mr O'Connor:** No, that in cases of indecision it "will recommend assessment."

**Dr Rush:** Let's suppose you are the physician and you call us looking for treatment, but you cannot really give us an indication of what type of treatment; you just think the person should be somewhere. We would try to put you in touch with the local assessment centre or a clinic which does assessment. We would not perform the assessment ourselves over the phone.

**Mr O'Connor:** Okay, I was questioning that. Thank you very much. You have cleared it up.

**The Chair:** I want to ask one final question which I do not think has been asked, but may have been while I was out of the room. What type of program is available in the correctional system? That has always been something that bothered me, because in my former life I practised in the criminal field—I was not a criminal—and I found that 80% or so of the crimes that were committed were either drug- or alcohol-related, and there was nothing, other than Alcoholics Anonymous—which I am not putting down; AA is a marvellous program—for these people. They were just spun out on to the street the same as they went in.

**Dr Rush:** I think my colleagues from Portage would be in a better position to comment.

There are a small number of programs which operate in some correctional institutions like the Rideau Correctional Centre in the east, for example. There are some programs operated in community resource centres, I believe they are called, and there are others like Portage Ontario, which is a treatment centre for young offenders. So there is a range of programs. My opinion is there are not enough.

Also related to your question, I think there are too many restrictions placed within many of the programs. They will not take the client if there are legal charges pending or if they are on probation or what have you.

**The Chair:** That is right. Maybe when you are reporting to the ministries, you could point out that in order to get into a place like Ontario Correctional Institute, a minimum eight-month sentence has to be imposed, which sometimes results in a person getting far more than he should. We used to have an excellent way of getting people

in on a section 9, which was taken away. You simply fictionalized a section 9 and sent them over to OCI for a quick assessment. That was taken away many years ago. Those quick ways of getting them in should be reinstated.

I am sorry; I probably have taken more time than some of my colleagues.

We appreciate your coming, doctor. We also appreciate the information you said you would provide to us so we can disseminate it among all the MPPs for their householders to make people aware of this service. Thank you for coming.

1110

**Dr Rush:** Would it be appropriate for Tannis to give me a specific list of things you might like for the group?

**The Chair:** Yes, sure.

**Dr Rush:** Then I can ensure that you have it.

**The Chair:** Okay, and we will be the vehicle.

**Mr White:** I would like to follow the doctor's suggestion here that the number not be published in householders. It should not be for the general public. People, if they use it, will often get information they do not know how to deal with and really need to have initial clinical interviews with either their physician or a counsellor.

**The Chair:** Okay, I think that is well taken. We will put it perhaps in our householders that they can contact our constituency offices and we will have the information for them.

#### PORTAGE ONTARIO

**The Chair:** We now have Michael Crowley, director of development for Portage Ontario, and we have two gentlemen with him who will not be identified on the record for a number of reasons. They are parents. That is all I will say. It is at their request, and I think it makes sense that they would not be identified by name on the record. I think Hansard will be able to accommodate that. Welcome, Mr Crowley.

**Mr Crowley:** Thank you.

**The Chair:** I almost fell into the trap. Normally I would say, "Would you identify the two people to your right?" But I will not do that. We will call them X and Y for purposes of just who is speaking at what time.

**Mr Crowley:** Okay, I will introduce them by their first names. On my far right is Dave and Paul. The reason they have asked not to be identified and the reason I have asked them to come today is that both of their children were young offenders. Dave's daughter is in our program currently in the residential phase, and Paul's son has completed the residential phase and is living at home again. I asked them to come this morning as a part of our presentation to describe to you—and answer your questions perhaps—what it is like to be a parent of a young person who is a substance abuser and the difficulties they had in trying to find appropriate treatment for them.

Just briefly listening to Brian at the end, the DART program is working. We received a call from a worker up in Geraldton the other day about a 13-year-old female alcoholic. Normally we do not treat adolescents under 16. I asked the worker how she got our name, and it was through DART. I asked if she had tried any other programs, and the answer



was yes, but nobody would look at a child under 14. I do not know that we would be the appropriate program, but there apparently is no other program in the province. If there is not, she will send the girl to the States, which I do not think would be the appropriate thing to do.

**The Chair:** I think we have information on Portage, but perhaps you could explain who you are and what you are.

**Mr Crowley:** Yes, I will briefly describe our program in Elora and touch on the nature of the program we provide, which is a therapeutic community. Portage as an agency has existed since 1973. We have provided a therapeutic community environment, a drug treatment residential program, for adult drug addicts in Quebec since that time. When the Young Offenders Implementation Act came into existence in Ontario the government here approached our agency in Quebec and asked us to come to Ontario to open a young offender residential treatment facility as an open-custody facility, which we did.

The program is long-term and residential and has a number of phases. Our belief is that drug addiction or substance abuse is an indicator to us that a person is having a lot of problems in terms of how he sees himself and his life and that he has turned to drugs or alcohol in order to cope day to day. That is true of adolescents as well as adults. What we try to do is work on changing their behaviours, work on the way they look at themselves. At the end of our program what we hope to have is a teenager like any other teenager, still full of doubts and concerns and fears but an adolescent who can also cope, feel that he is independent, feel that he can be successful in the world the way he sees the world, not the way we would see the world.

Our program is long term because we feel it is appropriate to get someone away from the streets, away from the temptation, away from the issues that he has been facing unsuccessfully for so many years. We provide a safe environment, a safe milieu. Sometimes a therapeutic community is called milieu therapy also. By "safe," I mean drug-free and alcohol-free safe, safe from violence. It is a place where they can learn to be themselves. It is long term. Usually a child will be with us for a minimum of six to eight months in our residential phase. Once they have gone through that phase, instead of just returning them to the street, we realize they are probably not quite ready to cope with those issues and pressures yet, so we have a transition and re-entry component as well. The transition phase is a 12-week program, and the re-entry phase could last as long as eight months. Re-entry or aftercare, it is the same thing.

**The Chair:** Is this custodial?

**Mr Crowley:** In Ontario we are. We are classified as open custody, although we have private beds. So we do have people in our program who are not there by virtue of custody.

**The Chair:** Is Quebec non-custodial?

**Mr Crowley:** Yes.

**The Chair:** I was going to ask you how you keep them there.

**Mr Crowley:** Even in Quebec, people leave when they find the treatment is no longer appropriate for them, and 20% of our population in Quebec come from the justice system, usually federal inmates on day pass or on parole. They return to jail because jail is a lot easier time for them than being in a therapeutic program where they have to do something all of the time every day, where they have to talk, where they have to express their feelings and, in a sense, can never hide.

We know that in jail, unfortunately, it is all too easy to just sit in your cell all day or read a book all day or disappear into the walls, if you will, all day. It is something that we never allow in Portage. The day is very structured. The kids are up at 6:30 and lights out is at 10:30. During the day they are either in school for about five hours each day or they are in group or individual counselling.

Most of our staff are ex-offenders; 90% of our staff are former drug addicts. They have all gone through our program or some other program. For staff who are not former drug addicts, if they just have university degrees, as part of their training they will do our program, live in our program for at least a month, sometimes longer, as if they were a resident, so they learn what it is like to be a resident and to have to live that kind of life.

It is important, I think, for us to state and have you understand that therapeutic communities are one end, probably, of a spectrum of drug treatment that goes from outpatient counselling to short-term residential to perhaps mid-range residential to long-term. For serious opiate addicts, methadone maintenance would be nearer our end of the spectrum as well.

There was an international conference on drugs and drug treatment in Montreal a few weeks ago that I attended and spoke at. It appears that the next generation of methadone programs is probably going to be joined up with treatment. That is, stand-alone methadone without treatment probably is pretty well frowned on by most of the research, scientific and treatment world these days. We think that is probably quite appropriate.

Our program is co-ed, which presents its own unique difficulties. We found over the past few years that the girls who commence treatment are much more serious drug abusers than the boys at equal ages: While very few of the boys that we have inject drugs, almost all the girls would have.

**The Chair:** The information we have from research is that there are residential programs for males but not for females. Is that still the same situation?

1120

**Mr Crowley:** For adolescents or adults?

**The Chair:** Young offenders.

**Mr Crowley:** There are none that I know of.

**The Chair:** So a female who is in closed custody would not have access to your program?

**Mr Crowley:** No, we are co-ed, so she would have access. I am sorry. What I meant to say was that there are no stand-alone, female-only facilities.



**The Chair:** We based it on the 1989 Addiction Research Foundation—

**Ms Haeck:** Mr Chair, we have a concern that we get through the presentation.

**The Chair:** I appreciate that, but I am trying to clarify this because that is the information we have.

**Mr Crowley:** We have 42 beds. We made it co-ed after this was published and we have been waiting, like everybody else, for a reprint of that for the past year.

Our program is difficult to finish, to graduate from. To graduate from our program requires having passed through all the residential and non-residential phases of the program and doing aftercare for at least eight months in which you stay drug-free, alcohol-free, crime-free, be working or in school, have money in the bank and be living an appropriate lifestyle.

Nevertheless, we feel that some kids who go through our program for perhaps three or four months will still have gained a great deal from that time, we think more than they would have in other kinds of programs. We think that if they stayed with us for three or four months, they would be much more able to participate successfully in community outpatient programs.

I would like to end my presentation with this and ask Dave and Paul, if this is appropriate, to tell you a little bit about their experiences with their children. Then we would go to questions.

**Dave:** I would like to make my presentation in two parts. First, I will tell you a little bit about what it is like to have a drug-abusing teenager as a daughter and follow that up with a little on what she is like now after about six months in the Portage program.

My daughter was a fairly normal young girl growing up and had good grades at school, up until about grade 9. She passed through grade 9 with a little trouble. She started becoming lackadaisical about her work at home. At the beginning of grade 10, she started complaining about the teachers not being good enough for her, not wanting to stay at home, wanting to be out all the time and not doing any homework.

At age 15 she ran away from home and was gone for about two weeks. We managed to get a two-week court order to have her returned to us and we were lucky enough to be able to have her brought home at age 16. She came home. She was a mess. She stayed home for a short time, over the summer, at which time we tried to assimilate her back into the family. We went away on a vacation. We had a great time. It was the first time we had had a great time for about a year and a half. We came back and she went back to school. She started off at another school. Again, she did about two or three weeks of grade 10, never did any work, never showed up at home after school and ran away from home again. We followed her around town. We tried to find her. By now she was 16, and of course under the Young Offenders Act we could do nothing to legally have her brought back home where we could care for her.

She moved to various rooming houses around town and stayed with various people. We had no idea who they were. When we did see her, which was very rare, it was

fairly obvious to us that she was not leading a particularly good lifestyle. We did not see her actually stoned, but we were pretty sure that drugs went along with living on the street and living in these kinds of places.

Her visits to us became less and less frequent and she was in worse shape as we saw her each time. She got involved in crime. She was charged with minor assault. She was charged with shoplifting. She was on probation. She was seeing a probation officer on a regular basis. It was obvious to us, even though we only saw her from time to time, that she was a drug user and we had no idea of what. No help was forthcoming to her at that time.

The situation became worse and worse. She phoned us in about November of last year and said she was dancing. She was now stripping to make money, so we knew that she was probably making a lot of money. She never had any money. She never had any clothes whenever she came home. We had done everything we felt we could as parents to try to get some help for her. We just did not know where to turn and eventually you reach a stage where you have to get on with your life. I have a younger daughter and I figured, "Until she comes to me and tells me that she needs some help, there's nothing more I can do."

At the end of April this year we got a phone call from my daughter and she said the words I wanted to hear. She said, "I need help." I said, "Where can I find you?" She said, "I'll meet you in a gas station at the corner of—" I cannot remember, some corner in Scarborough somewhere. So I went to the appointed spot at the appointed time and, of course, she was not there. So I drove around Scarborough for a couple of hours and went back to the place where she said she would meet me. She came down the street towards me. She weighed about 85 pounds. She had filthy, dirty clothes on, ripped and torn. Her hair was bleached blonde and looked like straw. My daughter is five feet 10 inches tall, so 85 pounds is not a very big girl.

She said, "I can't take you back to where my stuff is, but I'm going to go and get it." So she walked down the street to a crack house where she picked up her belongings, which consisted of a Loblaws bag with a couple of pieces of clothing in it. She came back to me in the car, having done another snort of coke, I guess, to get her back home. I would have given her at that time maybe 10 more days, otherwise she would have been dead. There was no doubt she was dying when I picked her up.

She had outstanding charges against her. She had not been to the probation officer she should have been to, so obviously there was a warrant out for her arrest. I called a few friends of mine in the police department and I said: "What do I do? Where do I turn? Where do I get her some help?" They said, "Go to the ARF." I said to my daughter, "We're going to phone the ARF." She said: "There's no point in going to the ARF, because that's where I used to buy drugs. That's where they hang out, outside the day programs. I need more than that."

I called my family doctor the next morning. I said, "Where can I go for help?" He put me in touch with Bry-Lin in Buffalo. We drove down to St Catharines and had an appointment with them the following morning and they accepted her in the Bry-Lin program. We had to get her



across the border and she could not go across the border with a warrant against her. So we called the police that night and said, "There's an outstanding warrant. She'd like to give herself up the following morning." We went to the police station at 6 in the morning so they could process it so that we could have her go through the court system and, as the police wanted and as we wanted, be released to us so that we could have her entered into a program.

To make a long story short, the judge decided he was going to send her to jail for this breach of probation, not get her any help. When we said that we had a program that we had already gotten her accepted into, he hummed and hawed and did not seem to want to know about this program. He would rather send her to jail. We just did not know where to turn at that time. We knew, if she went back to jail, she would probably be getting more crack that night, because it is fairly openly known that crack is available in jail.

1130

We were very lucky that the crown attorney and the defence and the police all said, "It's ridiculous that this should be happening." The crown attorney, I guess, somehow managed to get another judge to hear this case again. We went to the probation department upstairs in old city hall and Marg Welsh told us about Portage at that time. She said: "There's a wonderful program in Ontario for drug abusers with criminal records. It's a marvellous program. I'm sure if we can explain to the judge about this program, he will release her to your custody overnight so we can get her there the next morning."

We were able to convince the judge of this, even though when we got up in front of that second judge and said, "We have a program that we would like to get her into and we're pretty sure she's going to be accepted to it," he said, "Where's this, in Texas or Alabama or somewhere like this?" When he was told this program was in Ontario, he was surprised because he had never heard of it.

Anyway, we did, thank God, get her accepted to Elora. At the Elora program, for the first six weeks we did not see our daughter. That is part of the program. I guess you probably have details of the program. We saw her after six weeks. She had put on 30 pounds, she was clean and she looked well. She was not happy because it is a tough, tough program.

A few weeks after that, she called us—she called us every week at home—and said that she was doing well at school. She had gotten 80% on a test at school. She had been doing art work, which is magnificent. She is clean. She talks to us. She comes home on a regular basis. She comes approximately every two weeks on a pass, first of all with another family member from Portage and now alone.

She is a wonderful person again. She is easy to talk to. She wants to finish this program. I am absolutely amazed at how well she has done. She is now in the Elora program in Quebec for a short time because for a long time there were no other female residents at Portage. It is surprising to me because I am sure there is more than one criminal drug-user adolescent female in Ontario, but for some rea-

son they are not getting the message that this wonderful program exists.

She is doing tremendously well. We expect her to move on to the next phase of this program within the next month to six weeks, which would be a transition phase. I cannot say too much about the Elora program. It has amazed me how well my daughter is doing, how she associates with us, how she talks to us, how she wants to work hard, how she realizes the error in her ways. I guess that is my story. Portage and Elora have just been marvellous places for my daughter.

**The Chair:** Thank you. Maybe we could have the next parent.

**Paul:** I am going to pick up my story a little bit further along than Dave's. A lot of the situations he went through, I went through similar situations with my son, except for the fact that he never ran away from home. He liked the security of the home, but he went through all these drugs, alcohol, etc, within the house. He got in trouble with the law on a couple of minor charges, but nevertheless he was charged as a young offender.

As we got into the situation and realized there was a problem with addiction—it was a combination, quite frankly, of drugs and alcohol—we were looking around. "Well, what do we do?" I mean, here are two parents, middle class. "How do we access help? There must be professional help somewhere." We were directed first to the ARF, Addiction Research Foundation, to which Dave was also directed. Once again, I share some of Dave's concerns about that. The location of the four-week program right in the heart of available drugs at Spadina and College does not make it the best programs for kids who want to beat the habit.

He was there a week and for a minor rule infraction he was kicked out, or sent home. So then we said, "Okay, we'll bring you back and maybe this will help." I guess he was home for probably two or three months and the situation continued to be bad, so we gave him some ultimatums, one of which was Portage because we had read an article in the Toronto Star about one year before. But he knew that was an 8- to 12-month program and that was not a big incentive for him. The second option was a treatment facility in the US and the third option was being kicked out of the house. The last one was not even acceptable for him, because he did like the comfort and safety of home, so he opted for one of these US treatment facility centres. We went through an agent or a broker—I do not even remember his name at this point in time; it is not relevant really—and within 48 hours we were in a US treatment facility. He thought this was a 28-day program. I knew it was 56, which is two months. Otherwise I would not have got him on the airplane to get down there.

He got down there and it was a hospital facility. It was staffed by medical practitioners and psychiatrists and doctors and whatever and seemed to be a reasonable kind of recommendation, and I did not know any better. I am not an expert in drugs and alcohol addiction, so we left him there. We actually went down and saw him about a month later and had some consultations with the staff. Then my



wife and I went down at the end of the eight-week program and actually spent another, I guess, five days. We went through the situation with him with some counsellors and psychiatrists and whomever, and then he came home with us.

We thought, "Well, there's supposed to be an aftercare program." That is what we were told through this broker. Unfortunately we got home and there was no aftercare facility or aftercare program available. I would say that he kind of tried to rehabilitate himself, but with all his friends being, let's say, negative, which is the word they use at Portage, he just really buried himself in the basement and ultimately four to six or eight weeks later he got back on to the street with his old friends.

We could just see him slide down, and then about three months later we finally said, "That's it; you're gone," and we kicked him out of the house. He left the house, and then at the place where he lived, they got sick of him in three months. He asked to come home, so we said, "Fine, come home." Then about two and a half months after that he continued to go downhill. We were going to kick him out again, but we said: "There's one other option left. That's Portage." He did not like it, but he took it. In our opinion, he had kind of reached the bottom. He had been through ARF, this US facility and then said, "I want to have a roof over my head." He did not particularly want to go to Portage, but he had no choice.

He went there. That was about 14 or 15 months ago. He did not like the program initially. It took him four months to really get into the program. We did not talk to him for I guess two or three months at a time, because he would not call us. He could have, he was allowed to, but he did not want to because he just felt that we had abandoned him.

Anyway, he did finish 10 months of the program earlier this year. He then went through the transition period in the Lansdowne house that Michael mentioned earlier, and he has now been home with us for about two and a half or three months.

He has a job, he feels good about himself, he is talking to us, much the same things Dave said about his daughter in terms of being, let's say, a relatively normal human being again. He feels good about himself, and I guess that is the big thing that changed at Portage, that he felt he was worth while, that he was a decent human being.

I guess my point in terms of talking about Portage and coming here is the fact that I think there is a need for long-term facilities for teenagers, whether they be young offenders or people who are not in trouble with the law. It is not for everybody; there is no question about it. There is a fairly high turnover at Portage. But if a kid has reached the bottom in his own perception or he thinks he has reached the bottom, then I think this is the kind of thing that really is long enough and intense enough to be able to change his basic behaviour and he will come out feeling that he has some worth in the world. Basically that is why I am here.

**The Chair:** Thank you very much. Do you have any further comments before we go into questions?

**Mr Crowley:** I think my final comment partly follows what Dr Rush was saying to you as his last comment with respect to, is there sufficient treatment for adults in Ontario or adults within the correctional system? My feeling is no, and I have worked in the addiction system for about 20 years now. We think there should be more programs like ours in Ontario for adults as well as adolescents. We would very much like to be able to provide beds for adolescents who are not offenders as well as the few who in fact are young offenders and are appropriate for our program. That is my final comment.

**Mr White:** I have a couple of questions, one I guess for Dave and Michael. The issue I am picking up on really is the long-term residential nature of your program. You are talking about six or 12 months, right?

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**The Chair:** Drummond, you tend to speak very softly. I wonder if you could speak up a little bit so we can all hear you. I am having trouble hearing you up here.

**Ms Haeck:** We want to hear your words of wisdom.

**Mr Crowley:** You would think a politician would know how to speak into a microphone.

**Mr White:** We had discussed earlier with the good doctor the four-week program, the 28-day program, which is sort of a standard. My personal experience with teenagers is that they have different needs than adults, and I think probably a longer-term need, a time to pull together. Could you comment on the reasons, from your standpoint, that you would need a longer term than a four-week period? And I could ask Paul, as well, because he has been through that four-week or twice-four-week program as well.

**Mr Crowley:** In terms of a client profile, most of the kids in our program are 16 or 17 when they come. Most started using drugs or alcohol at age 10, 11 or 12. If a kid starts at 12, that is a late onset, as far as I am concerned. We are talking about kids who have had four years or five years of serious substance abuse, who dropped out of all normal activities and dropped out of school at 14. It takes a long time to get into that kind of cycle, to get ingrained in that kind of cycle, and into the kinds of things that Dave's daughter was doing, stripping and perhaps living on the street, even though she grew up in a fine home. To change a person, whether he is a child or an adult, to have a different lifestyle, to have a different way of behaving, a different way of making decisions, cannot, in our view, be done overnight, cannot be done in four weeks.

If you look at the history of 28-day programs, you have to understand that 28 days was the figure set by insurance companies in the States. They used to be 36, and then two or three years ago, Spofford Hall tells me, it got changed to 28. They had to create a 28-day program because that is what the insurance company said they would do. I cannot think of any other kind of program that is predicated on a number of days rather than the needs of the individual, so we look at the needs of the individual rather than at some pre-set amount of time.

Having said that, we also run a 28-day program at our adult facility in Quebec for employee-assistance programs within the context of a therapeutic community, but we



provide very intensive aftercare for a year. I do not want to leave the impression that you cannot have an effective short-term program, but the aftercare component has to be very intense, probably much more intense than most programs in Ontario. This would include urine testing, I would say, based on American experience, which does not, by and large, exist in Ontario.

**Dave:** I would agree with what Michael said, but my daughter's treatment, as she carries on with it right now, is still evolving. I spoke to her yesterday. She is still a little concerned about what she is going to do when she comes out. While she is still an awful lot better six months into the program, she is still somewhat concerned about what she is going to be like when she comes out, which is why they have a very good aftercare program at Portage.

When I first spoke to her after six weeks—and after six weeks she was clean—she was not ready and could not possibly have been ready to come back to society. The only lifestyle she knew was going back to prostituting and stripping and taking drugs. That was all she knew. So certainly I do not believe a 28-day program, while it may have cleaned her up, would have been in her case a long-term program that could have been stuck by.

**Paul:** I echo some of the things that Michael said. Basically, our son went through that progression of the 28-day, then the 56-day, and then he needed something longer. I think he had to come to grips in his own mind with the fact that he had hit bottom and he wanted to come back up, and I do not think he had in either of the two programs.

Once again, the Portage program is not for 100% of the population, the drug addicts or the alcoholics, in terms of young people. It is basically for what I would refer to maybe as the hard core. It is hard to say that my son was hard core—there are a lot of kids in Portage who did a lot worse things than he did, by and large—but there was no hope for him, in my opinion. My wife did say at one point that she felt he would be dead in a year if he had not gone into Portage.

**Mr White:** One final question in regard to, again, my clinical experience in the past. I have worked extensively with families and to a fair degree with adolescents, both individually and in the family context. I have been struck in the last perhaps half-dozen years with the tremendous number of young girls. I think, Michael, you referred to that. The young girls in the program tend to be into more serious abuse situations, and I hesitate to qualitatively characterize the difference between your children. The situation you present today is something I have run into many times before, extreme changes and very dramatic situations with girls, more so than with boys.

I know there has been some recent research by a psychiatrist out of McMaster, I believe, which identified adolescent girls as having particular problems that have not been addressed within our treatment programs. I wonder if that fits with your experiences, and if there are any recommendations you might have in regard to services for those young women.

**Mr Crowley:** I would say it fits with our experiences. I am not sure I am qualified to give recommendations. As I say, our program is co-ed; the groups are done in a co-ed fashion. I am not entirely sure that we feel comfortable with that. We think the girls may have sufficiently serious issues that are theirs alone, that they do not share with the boys, particularly with respect to sexuality and related issues. We think we may need to have them do more of a program separate from the boys. We do that a bit more in Quebec. The women—and they make up about 20% of our total population there—do more things separately because they have tremendous issues. Most of the girls we have had experience with in Ontario have had more histories of sexual abuse and physical abuse than the boys have, and so that is an added issue we have to deal with. We could count on a lot of the boys, up to 50% at one time, as having been abused at home.

**Mr White:** Up to 50% of the males have been sexually abused?

**Mr Crowley:** Yes. Every time we do a snapshot analysis that is what it appears to be, about 50%. Sometimes it takes a long time for a boy to be able to talk about that as well. They do not tell me at assessment. They will talk about it after being in the program for six months, when they finally feel comfortable and able to bring out that issue they have perhaps been hiding for so many years.

It is the emotional crux that perhaps caused them to turn to substances in the first place, or other kinds of behaviour. We have had some kids in our program who are not substance abusers but their behaviour is relatively the same. What we do is to essentially change behaviour, so we take those kids into the program anyway.

**Mr O'Connor:** Thank you for coming today. I missed the first part of your presentation, so I apologize for that. I was wondering if you had mentioned the vacancy rate, and if you do not mind repeating for me if I did miss it.

**Mr Crowley:** No, I had not. We average about 70% filled. Right now I think we have 33 kids in the program, out of 42 young-offender beds, and that is fairly typical for us.

**Mr O'Connor:** What do you mean by private beds?

**Mr Crowley:** Portage, as an agency, has a program in Quebec. We have a program in Portugal, and we do treatment for the government of Bermuda and some other places as well.

Sometimes we will bring adults who are drug addicts but not offenders into our program. They form a cohesive, slightly older group than young offenders. It is important, we think, for kids to realize that turning 18, 19, 20 or 25 is no magic solution in itself. They know they still have a lot of problems to work on.

By and large, those private beds are used for people who are already from Portage. Sometimes we are able to use those beds for a referral from children's aid or a referral from Community and Social Services in Ontario, but they are not young offenders. If somebody was wealthy enough to pay our per diem, we would have somebody use the bed and pay a per diem. We have never done that, but it is always feasible. Our per diem is \$93.



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**Mr White:** That is cheap.

**The Chair:** Are those six beds that have just not been licensed by the ministry? Is that what those six private beds are?

**Mr Crowley:** They are not licensed.

**The Chair:** The other 42 are.

**Mr Crowley:** The Ministry of Correctional Services does not license. There is a contractual arrangement.

**The Chair:** They fund you absolutely, then.

**Mr Crowley:** Yes, and we have to meet standards and all that.

**Mr O'Connor:** When you consider the percentage of time of the adolescent on the addiction, that certainly points to the need for a lengthy stay to try to make sure the recovery is complete. You never mentioned your aftercare. Could you elaborate a little bit on what your aftercare is like.

**Mr Crowley:** The aftercare comes in three different phases. The transition phase is a 12-week program after the large residential program with 30 or 40 kids. About five or six or seven will be in a transition stage with a specific 12-week program where they work on the family issues. We work with families while the kids are in the program as well, so we know what those identified issues are. We emphasize life skills, budgeting, nutrition, those sorts of things that kids will need to have as skills in order to successfully be independent in the world.

The re-entry phase is the next phase, where kids are actually going out to work or to school, coming back every day, sharing those experiences with staff and the other kids in the program. Once they have left the program, physically left our facilities, they come back once a week for counselling with staff and the group they went through their program with. We continue to do urine testing while they are in those phases, so we have a pretty good handle on how they are doing. For them to graduate, which is the ultimate phase, they have to be clean for a minimum of eight months, that is, not use drugs or alcohol.

It may well be that a kid will fail, will take a drink or have marijuana or something like that. They are certainly allowed to come back in and say, "I've goofed," and might spend a weekend in our program and just continue on again. We make a commitment to kids. If a kid leaves after six months, maybe a year from now he will say: "Gee, what Portage said to me makes sense. I want to come back." They are no longer young offenders.

We will take them back in the program with no fees charged or anything like that, because we realize that kids who may need a 12-month program might take three years to do the program because they are adolescents and they need to test—kids always test—what you are telling them as parents or as educators or as clinicians. They want to test out those theories in the real world and come back and rethink how they are going to approach life again. For us that is fine. If they are too old or they are adult offenders now, we will send them to our program in Quebec, again at no cost to anyone, because we try to make a commitment to a kid or to a person.

**Mr O'Connor:** How long do the one-week revisits—how long a period is that?

**Mr Crowley:** That a person can come back for a week?

**Mr O'Connor:** After their residential program and they have gone through all that.

**Mr Crowley:** It is a minimum of eight months and it could last up to a year. They will stay in touch with each other on a voluntary basis for much longer than that.

**Mr O'Connor:** Are there more questions?

**The Chair:** I wanted to ask a couple.

**Mr O'Connor:** The parenting program and the involvement of the parents, could you just elaborate a little bit on that? Then I will turn over the floor.

**Mr Crowley:** I will ask the parents to respond to it, because they are both involved in the Toronto group. We do groups in Toronto and Guelph. As we get more kids from specific areas of the province, then we can start up parents' groups in those parts of the province.

**Paul:** Is that what you wanted to hear?

**Mr O'Connor:** That and your involvement while you are going through the process.

**Paul:** What we have, and we alluded to the parent groups, is that every two weeks there is a group which is specifically aimed at having the parents, mother and father or mother or father, as the case may be, come together as a group. It is basically a confidential meeting. None of the information gets back to the kids themselves. It is more to deal with the feelings and the issues that the parents are going through. We have one of the staff from Portage come down and there are a couple of adult leaders or leaders who have had their kids go through the program. There we get our issues out in terms of how we are feeling and how we are managing these feelings. It has been very helpful for a lot of people in terms of trying to come to grips with the thing. "Was it our fault? Did we go wrong? What could we have done differently?" It has been very effective. That goes on. You can keep going to that one for as long as you want.

**Mr Crowley:** Whether your kids are in the program or not.

**Paul:** Yes.

**The Chair:** You told us your program could be used for young offenders who were placed in secure custody.

**Mr Crowley:** They have to get a change of disposition to open.

**The Chair:** I see. So there is no ability to come there in secure custody?

**Mr Crowley:** We have made an arrangement with the ministry that it will release somebody for 15 days on a temporary release so we can do an assessment of him in the program.

**The Chair:** So that is a while away.

**Mr Crowley:** Yes.

**The Chair:** I thought you said that in Quebec you take referrals from the adult population. Is that right?



**Mr Crowley:** Our Quebec program is an adult program. We are starting an adolescent program there.

**The Chair:** Is that also a program that is on a non-secure basis, that you have to be out on parole or on probation or whatever?

**Mr Crowley:** No, 80% of the people there are just from the street; 20% would come from the justice system.

**The Chair:** But what I am getting at is, is there any facility there that would provide for a person who is in the penitentiary system or the correctional system to come from jail and be held in secure custody?

**Mr Crowley:** On temporary absence.

**The Chair:** Just temporary absence? I know that the Clarke Institute of Psychiatry has a few secure beds and I think the Queen Street Mental Health Centre will take a certain number.

**Mr Crowley:** Oh, I see what you are saying. What we do in two federal and one provincial institution in Quebec is train correctional officers to run therapeutic communities in those maximum security institutions. So federal inmates in two facilities, or provincial inmates in one, can participate in a Portage-type therapeutic community.

**The Chair:** Within the prison?

**Mr Crowley:** Within the prison.

**The Chair:** The other thing was, in your profiles of young people whom you have had come to you over the years, you have listed that some of them have been found to be abused children. Have you also discovered a degree of learning-disabled kids?

**Mr Crowley:** Yes.

**The Chair:** Is that part of the scenario?

**Mr Crowley:** I am not an educator so I do not know the significance of the percentages, but I am advised by our teachers that the percentage of kids who have learning disabilities they see as being extraordinarily high. Often in fact they have become so adept at seeing this that the teachers—we do not employ them, they are employed by the county board of education—have discovered learning disabilities in 16- and 17-year-olds that were never discovered in the regular school system. So by virtue of their being in our program, they are finally able to get the learning experiences they need as well.

**The Chair:** I gather your educational program, while they are there, has a very small classroom size.

**Mr Crowley:** Yes.

**The Chair:** And they seem to flourish in that?

**Mr Crowley:** They seem to, yes.

**The Chair:** Maybe I could ask either or both of the parents if they perceived any degree of learning disability in their children. Was it that which caused them to have perhaps less achievement in school as they proceeded and a bad feeling about themselves, which may have been the impetus to the problems they had?

**Dave:** In my particular case, we did not really see that. Right through junior school, she did very well. She was a pretty good student. She started to struggle in grade 9 a

little bit and perhaps by struggling, she looked for another outlet, but no sign of any kind of learning disability.

**The Chair:** Was she ever examined as a child with a learning disability?

**Dave:** No, she was not. She passed her grade 9. Even though she was struggling a little bit, she passed with decent grades. It appears to me more that at that time she was probably experimenting with drugs and that was the reason for her dropping out in grade 10.

**The Chair:** It is kind of which came first, the chicken or the egg, I guess.

**Dave:** Yes. Again, when she went to Elora, she got good grades at the Portage facilities.

**The Chair:** It is classic that learning disabled kids do flourish in a very small, almost one-on-one classroom scenario, where as they get lost in our Hall-Dennis scenario where you put them all in open concept. Finally, do you see any perception of learning disability?

**Paul:** No, nothing that would be explained by anything other than perhaps getting into alcohol. I think our son got into drugs and alcohol in that 11 or 12 age range, but I do not think there was any major learning disability that we have any concern about or any knowledge of.

**The Chair:** Are they diagnosed before they come into your program? Are they examined for that particular problem?

**Mr Crowley:** No, they are examined for that before they start the school program.

**The Chair:** And you say it is a very high incidence of those people?

**Mr Crowley:** That is what I am told. I cannot tell you what the percentages are.

**The Chair:** Okay. I am sorry. I have taken more time.

**Mrs Witmer:** That is okay. I wanted to say, in relation to what you have been asking questions about, the two teenagers I talked about earlier this morning who ended up going to the States for treatment because there were not appropriate facilities here were actually exceptionally bright young people. It is really important to recognize that students who get into this type of difficulty have all sorts of different levels of academic achievement and ability.

**Mr White:** It is also important to distinguish the relationship between learning disabilities and the causality of problems.

**The Chair:** We may be called for a vote any minute now from the looks of things. I want to thank you very much for coming forward, and hopefully as a result of the work of this committee and people like you being prepared to come before us and share your experience with us, we might be able to assist this government, and any other government, to come up with a program that will help or provide a haven where parents do not have to go through the agony I am sure you went through. We wish both of your children great success.

We stand adjourned until next week.

The committee adjourned at 1202.

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## Assemblée législative de l'Ontario

Première session, 35<sup>e</sup> législature

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 7 November 1991

The committee met at 1007 in room 228.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1990

### MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS

**The Chair:** The first item on the agenda is the notice of motion by Mr Tilson. You all have a copy of it before you. It is my understanding that the notice is given and that it will not be considered at today's meeting but deferred. Maybe you wish to speak to that, Mr Tilson.

**Mr Tilson:** Yes, Mr Chair. I am simply putting it on the record. I know there is a full agenda today. I also am aware from the clerk that the next number of weeks in November, at least the next three weeks, we are off and about seeing institutions. I do not want to say the first available date, but I assume the next available time this committee is sitting. I hope it would be heard before Christmas so that I could bring this motion to the House. Do you want me to put it on the record?

**The Chair:** I do not think you have to. You have given us notice. Any other comments as to how we deal with it?

**Ms Haeck:** I would like to ask Mr Tilson if he has asked the minister for the details she has already promised to give him.

**Mr Tilson:** I have.

**Ms Haeck:** Because I know she has volunteered on at least two occasions in the House to provide him the details of the decision-making. I am wondering if this is rather superfluous.

**Mr Tilson:** Not really. I have asked her specifically in the House, as you know, a number of questions, some of which—I do not want to debate the motion. If I am going to debate the motion, I will take about half an hour.

**Ms Haeck:** I am just asking a question of information, really.

**Mr Tilson:** But in response to that, there are a number of issues. That is why I am bringing it here. Yes, she has agreed to meet with me. The earliest available date she can see me is November 20, although I asked to meet with her early this week. I originally asked to meet with her last week. She has indicated in the House, as you know, that she would not be providing me with written information which is in this notice of motion. That is what has spurred this whole issue to this committee.

Specifically, number 2: As I raised in the House the other day on one of the bills, I am looking at the whole tendering process. Is our tendering process appropriate? I do not know what this sort of motion will lead to, but it does appear to be rather loose, the tendering process. We spend a great deal of time on the tendering process in

boards of education and the educational system. Maybe we should be looking at our own system.

**The Chair:** Anybody else? If nobody else has any, I have some reservations about number 2, Mr Tilson. We are asking the auditor to do something which I do not think he would feel very comfortable about. In fact, for that matter, it may be a conclusion this committee may want to reach, although we have tried not to be partisan. I do not think the auditor should be asked to provide an opinion as to whether the selection process was politically influenced. I think we ask him for facts, and on those facts we can make determinations.

**Mr Tilson:** If the auditor wants to tell us that, he can tell us that. It is fair comment. If he does not want to tell us that, if he feels it is beyond his mandate, I have complete confidence in the auditor, and he will tell us that.

Again, if you wish me to debate the motion now, I would be pleased to. But I do not want to do it in bits and pieces with you and with Ms Haeck. I think that is unfair.

**The Chair:** I have just asked the auditor, and he says that is fine. I raised the concern in terms of protecting the people who advise this committee, that they not get their foot into the field that we are in and perhaps get something all over their shoe.

**Mr Tilson:** Whatever the auditor says when the motion is being debated, I am prepared to accept that.

**The Chair:** All right. Is there agreement that it go on the agenda for December 12?

**Ms Haeck:** No.

**The Chair:** Not unanimous consent to put it on that date?

**Ms Haeck:** No.

**Mr Tilson:** Well, then, what is the next available date, Madam Clerk?

**Clerk of the Committee:** The 19th.

**The Chair:** Is there agreement that it be placed on the agenda for December 19?

**Ms Haeck:** My personal opinion is that as the minister has volunteered—I sit close to her, so overhear some of her remarks—I would really feel much more comfortable if Mr Tilson had his meeting with the minister and had some of his concerns addressed and got the information she has volunteered. Then we will have a chance to discuss in a fulsome fashion what kind of information has been distributed, rather than making it this kind of issue at this time.

**Mr Tilson:** Point of order, Mr Chair.

**The Chair:** Before you raise the point of order, the clerk has advised me that it has been the practice of this committee that notice is served as a matter of courtesy. The question of whether it gets to be debated in a committee is not something that is withheld. That is the purpose of the



notice. What happens is, it will be debated on the date it is set for, and at the time a vote is called, the motion can be voted for or against.

**Mr Tilson:** Otherwise, Mr Chair, I will stop making notices of motion. I will just bring them. I have a right to make a motion in this committee at any time I wish. I will not be nice the next time.

**Ms Haeck:** That is fine. I stand corrected, and I am quite prepared to proceed as tradition has set forth.

**The Chair:** It is more a question of ordering the business of the committee. We would like to get a date that seemed to be appropriate.

**Mr Tilson:** That is exactly what I am suggesting, Mr Chair. If the clerk has a more open date than the other date in December, that—

**The Chair:** Either date is fine. The clerk tells me that for the three next meetings we have arranged tours, so how about the one after that? Is that 12 December?

**Mr Tilson:** That is fine.

#### MINISTRY OF TRANSPORTATION

**The Chair:** Then there is the discussion of the follow-up to the committee report. You have a memorandum before you dated November 7, 1991, from the clerk. This is a matter apparently that arose not during our tenure but previously, and it is still out there. Does the committee wish to have this report brought forward and dealt with, or what is the wish of the committee? Maybe we can get a little update on this.

**Mr Archer:** The original recommendations, as I recall, asked us to report back within nine to 15 months of the date of the committee's report on some of the subject matter described in the second paragraph here.

We have been somewhat delinquent in getting around to doing that because of resource problems and some of the other assignments we have been doing. However, what we are questioning now is whether we should try to clear the decks and get on to it as soon as possible. In other words, if the committee is anxious to get feedback on this, we could do that. If we just let it follow the normal course, we would get around to it every four or five years anyway. Two years have gone by already. But we could schedule it, say, within the next 12 months and have a report back to the committee some time in 1992 if that is satisfactory. If you prefer immediate action, we could try to schedule it so you would get a report back maybe by March or April 1992.

**The Chair:** What is the wish of the committee? There are two options, as I see it. Review it the next time an audit of the area is conducted, or bring it and deal with it. We have already got our plate full with something we would like to resolve. Perhaps we should have it reviewed the next time an audit of this area is conducted. Did Mr Tilson have any contrary view to that when he was talking to you?

**Mrs Fawcett:** No. He was just saying that he had to go speak on this motion.

**The Chair:** Perhaps we should do that, then. Is that agreeable to the committee?

**Mrs MacKinnon:** Is this in connection with highway signing or something like that?

**Mr Archer:** It is the building of bridges and radar detection systems. It came out of a section in our 1989 auditor's report. The committee, in reviewing that, heard from the ministry, naturally. They gave a lot of corrective action that was being taken and the committee wanted us to report back on just how effective that corrective action had been.

If it is agreeable to the committee, it would certainly be much more convenient for us to just schedule it as part of our next cyclical audit of that area rather than going in to make a special review.

**The Chair:** The final item is discussion of the drug and alcohol treatment centres.

#### DEPUTY MINISTERS' EXPENDITURES

**Clerk of the Committee:** Before we get into that, do you want to deal with the issue of the report on the deputy ministers' offices, which may be available to the committee?

**The Chair:** I am told that a report requested by Mr Cousens and directed by this committee in June will be available this afternoon. It will obviously not be something we can discuss this morning. When the clerk told me about this, I was concerned that if it had any specific references to names in it, we would probably want to discuss it in camera. I am assured that it does not, that it gives total anonymity. But I still want to have the committee's view as to whether it wants to discuss this in camera or whether we could leave it as an open discussion, when that report is available to be discussed.

**Ms Haeck:** Is this the deputy minister one?

**The Chair:** Yes. I was concerned that it might have names and salaries and so on. The auditor tells me that it is does not. Am I correct?

**Mr Archer:** Not specifically. Of course we list the deputies who were involved, but we do not attribute any of our findings to a particular deputy.

**The Chair:** I want to get the committee's feeling. Do you want to deal with it in camera or do you want to deal with in an open session? I think the danger of dealing with it in camera is, if there is nothing in it that is directed towards anything, it only heightens the interest, I suppose.

**Mr O'Connor:** Does it mention the ministry they are dealing with?

**Mr Archer:** Yes. We identify the ministries that we audited and the deputies that were in those ministries over the period of the audit. That is, in general, like in an appendix. The findings of the audit, though, are not attributed to either a ministry or to a deputy.

**Ms Haeck:** You are saying that they are actually rather general comments about how the various ministries—

**Mr Archer:** We might say that in one ministry this happened.

**Ms Haeck:** But you do not actually attach a name to that particular ministry.

**Mr Archer:** No.



**Ms Haeck:** Part of my reason for asking this question is the fear that the press might make some rather far-reaching assumptions and make some comments about individuals that are not accurate.

**Mr Archer:** I think the danger is that the press with their contacts may well identify some of the individuals on their own in any event.

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**Ms Haeck:** I believe we discussed this in June, so these are those people who may have been sitting in these positions from June until now? Or what is the time frame of your investigation?

**Mr O'Connor:** Right through to the past government or the government before that?

**Mr Archer:** No. It is an overlap. The basic period we looked at was April 1990 through March 1991.

**Ms Haeck:** Of that fiscal year.

**Mr Archer:** Yes.

**Mrs Fawcett:** Would it be possible for the subcommittee to make a decision on that? If the report is available, they can look at it and see how they feel and have a quick meeting and then decide whether we are in or out of camera.

**The Chair:** It sounds like a good idea. We will see. Is that acceptable to the committee? Pending that, obviously you do not want to have the report released.

#### MINISTRY OF HEALTH

**The Chair:** We are on to the discussion of drug and alcohol treatment centres. We had hoped to be able to bring at least an interim report to the House before we recessed for this term. Ray, do you want to start? And then we can get into a discussion.

**Mr McLellan:** I am trying to think of the easiest way to go about this. We have two reports, one from the trip to the United States during the period August 12 to 16. I think that report was circulated to the committee this week. Also, following our meeting last week, I prepared another report, 864. It is entitled Out-of-Country OHIP Payments Review: Preparation of Draft Recommendations.

That report runs 20 pages in length. It may be appropriate for me to take a minute or two to go through that and then we can start to think about the general areas we want to discuss, whether you want to refer to them as theme areas, and out of that we may start to work on some preliminary recommendations, if the committee agrees with that. I have gone through this report. It would take me about 12 minutes to go through it. If you want to interrupt during the discussion or if you want to wait and work on recommendations at the end, I think this will help set up a discussion. Are you in agreement with that?

**The Chair:** Agreed.

**Mr Johnson:** I apologize to Ray for not having brought my copy. I thought I was going to be late.

**The Chair:** I think we have spares.

**Mr Johnson:** I want to tell you that I did see it and I did peruse it.

**Mr McLellan:** I would like to do a couple of things. I think we should touch briefly on the findings in the United States as reported. I think we should have a look at and touch on some of the recommendations that were generally referred to by members. As we went through the hearings some of the members would say, "This seems to be an area for recommendation," and I have made notes of those over the months. I have tried to capture those.

Also, it may be worth while for me to briefly touch on the Addiction Research Foundation's response to the Vision for the '90s report, which came out last year. That is another important report to touch on because it sets the stage for the most current thinking on substance abuse and the treatment of substance abuse in Ontario.

From that general introduction, I will start off with report 864, Out-of-Country OHIP Payments Review. In the introduction, you can see we are dealing with nine items: the ministry's policy responses to this problem when it was identified in the auditor's report and following up to the ARF reports; the area of patient assessment and referral; the area of special treatment programs for youths, natives and inmates; the correctional system, an item we have talked about quite a bit; treatment accreditation, a point raised by Mr Cousens; the educational programs, again a point raised by Mr Cousens when we were in Minnesota; the location of treatment programs, discussed last week at the Donwood Institute; the Ontario treatment system as it is today and what it may look like in the future, and then another point discussed at the Donwood, the planning and development of treatment models. That is something we have not spent a lot of time addressing.

We may not have done sufficient work on some of these areas to make recommendations, but they are perhaps areas the committee may want to pursue in the future. I feel we have to ensure that we have had either sufficient hearings or briefings to be able to make recommendations.

This paper identifies the themes. I have made a note here also that this hearing process and review is ongoing and the committee does want to wait for the report of the Provincial Anti-Drug Secretariat on the report from Mr Mammoliti's group, the Advisory Committee on Drug Treatment.

Starting off at the bottom of page 1, the ministry policy changes, I will not repeat all of these, I will just touch on them briefly. On the first section, out-of-country treatment, we know there have been new policies introduced for the conditions for the payment of treatment in the United States with respect to gaining prior approval and also the amount of money that would be available for treatment in the United States.

We go on to talk about funds to the parts of the province with significant referrals, and the ministry has addressed that, saying whether it is northern Ontario or areas where treatment facilities are not readily accessible.

The ministry has addressed the issue of local input from the district health councils. The first recommendation here is from the Advisory Committee on Drug Treatment. I have set that up in a parallel fashion, so as we go through section by section we have the ministry's statement and what the Advisory Committee on Drug Treatment recommended.



You will remember that report, *A Vision for the '90s*, which we had looked at at the start of the hearings.

Moving on to the detoxification services, the Ministry of Health has responded to the advisory committee's concern at the bottom of page 2.

At the top of page 3 is the treatment registry. We had Dr Rush in to talk about the issue of co-ordinating the need for services and the facilities. Again, that was a point raised by the Advisory Committee on Drug Treatment in recommendation XX. So here you can see they have been responded to.

Moving on to the patient assessment and referral at the bottom of page 3, I indicate the volume of assessments and referrals in 1990 and 1991, so we get a sense of the number of referrals to the United States based on that process.

There is a ministry statement at the top of page 4 with respect to new funding for these centres. There has been an increase to 21,000 people served per year based on the additional \$3 million going to that program. Again, this was an issue that had been raised by the Advisory Committee on Drug Treatment, so you can see movement has been made in this area.

Moving on to the special treatment programs for youths, natives and inmates, I will highlight some of these points here. "Patients who are both mentally ill and chronically dependent have not been treated effectively in the provincial system, partly because of the lack of programs in Ontario." I discuss the schizophrenic patients here and drug dependencies and the challenges that has presented.

On the bottom of page 4, I make note of the multiple diagnosis cases and also of the fact that in Ontario we are moving ahead and there are several facilities addressing this problem. This area had been discussed also on our trip to the United States, which is mentioned on the top of page 5.

On page 5, I make reference to *A Vision for the '90s*, some of the special groups and problems and some figures in Ontario. I will read this quickly. "Over the last decade, the number of female clients has nearly tripled from about 4,500 cases to about 13,000. The proportion of all clients which were female increased from 15.4% to 22.4%."

I go on to talk about the correctional system. There is a much higher-than-average rate of alcohol and drug problems among individuals in correctional settings or on probation or parole. We go on to talk about the special needs of street youth, homeless women, francophones, the elderly and on and on. We can read through that list later. There is a recommendation on the bottom of page 5 with respect to youth programs and the requirements for youth programs and funding.

On the top of page 6 we have the advisory committee's recommendation XXI, and again here, in line with the special needs, it stresses the importance of programs and treatment for native groups particularly. There are two recommendations dealing with that area.

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Moving on to the bottom of page 6, correctional system and substance abuse is something that has received quite a bit of interest in the committee. I will highlight some of the points. "Dr Korn of the Donwood has concluded that the correctional system has not addressed substance abuse ef-

fectively. Research is being conducted in the area of relapse prevention to develop programming models for correctional facilities and the Donwood has been involved with probation referrals."

Dr Humphries from the Ministry of Correctional Services was in to explain the programs he is overseeing in the province and went into a fair amount of detail on that.

Dr Rush from the Addiction Research Foundation concluded in his comments before us, "I think that there are too many restrictions placed within many of the programs that they will not take the client if there are legal charges pending or if they are on probation." This is on the top of page 7, setting the tone for some of the problems with respect to the treatment of people either in the correctional system or going into the correctional system. "At issue is the need to ensure that people with minor offences that have a substance abuse problem are afforded a clinical assessment and treatment."

Moving on to the bottom of page 7, second-last paragraph, "ARF is currently working on relapse prevention strategies to develop appropriate programming models for correctional facilities. People on probation are referred to aftercare programs," and the Donwood is mentioned there as involved in this area.

On page 8 is the recommendation I had circulated. I remember the Chairman had taken note of it. This recommendation VII is again from the ACDT, dealing with the correctional system and options to address this problem. It has outlined them here with six options.

I should mention too, on the correctional issue, when we were in Chicago and visited Parkside Lutheran Hospital, they mentioned to the committee their involvement in the correctional system. They are very much involved in the front end of the process, that is, on the assessment of people prior to going into the correctional system. I have also had follow-up calls with them.

Parkside Lutheran is involved in a program in Sweden. I spoke with them yesterday. They do not have documentation we can actually look at on that Swedish model, but they will be sending me information from a program they are involved with in Texas through one of their offices. That is through the Dallas probation office. We will be receiving information on what they refer to as their model to deal with corrections. That will be coming forth.

Also, Parkside mentioned to me the Stillwater State Prison in Wisconsin. Its treatment program incorporates specialists from the local community, so it has a relationship with institutions such as the Donwood. That may be something the committee wants to pursue. But, as I say, we will be getting information from the Texas program. I received a follow-up call from Parkside yesterday on that.

With respect to treatment accreditation and program evaluation, a point Mr Cousens had followed up on when Dr Rush was before us, "According to Dr Rush, there is not a standardized accreditation system in Ontario to practise as an alcohol and drug counsellor in Ontario. He is of the opinion that this is a deficiency in the system and that there is a need for 'quality assurance'"—on the top of page 9—"with respect to staff credentials, approved treatment and an established staff-patient ratio."



Speaking with the ministry, they pointed out to me the difficulty in dealing with basically quite a fragmented system. The Ministry of Health pointed out that there are a number of actors involved. For example, the Ministry of Correctional Services is involved in the issue of substance abuse, as are the Ministry of Housing, the Ministry of Health, the Ministry of Community and Social Services and also non-governmental bodies such as the United Way. We have a multiple number of people involved. As I say on page 9, "The system is fragmented and there is a need to centralize operations to achieve system planning in conjunction with standardized accreditation."

**The Chair:** Just as a matter of curiosity, when was that comment made by Mr Cousens in relation to October 31, 1991? Obviously it was made before that.

**Mr McLellan:** Yes, the research request went out on October 31. That would have been the day before, so it would have been October 30.

**The Chair:** This is not meant to be pejorative or partisan, but does it mean that our committee is actually spurring some changes or at least some digging into it? That request was made by the Ministry of Health, was it?

**Mr McLellan:** When Dr Rush was before this committee, he talked about accreditation. Then the committee wanted elaboration, so I went to Ministry of Health officials and asked them to come back to us and explain the system of accreditation.

**The Chair:** All right, I am sorry. I am misreading that.

**Mr McLellan:** So I have requested information. As part of this request, we wanted to understand exactly how the accreditation system works in Ontario and how it works in the United States so that we would exactly understand the process. When we were in the United States we heard a lot about the Joint Commission on Accreditation of Healthcare Organizations and also the Commission on Accreditation of Rehabilitation Facilities—CARF. That was of interest to the committee.

I have followed up with those organizations and they have sent me manuals to explain exactly how they monitor and review health care professionals in this area. Now we have done a parallel thing in Ontario, asking if we could have some explanation. I have spoken with the Canadian Council on Health Facilities Accreditation. They have sent some information to me. I have gone ahead to collect this information. Whether the committee decides to pursue this and make a recommendation will be left up to the committee.

At the bottom of page 9 we talked about how the Ministry of Health could develop standards and quality of assurance. That is from ACDT recommendation XXVIII. There are two recommendations. The second one is on top of page 10, recommendation XXIX. The advisory council talked about evaluation criteria and training for evaluation.

Some of these areas get into policy recommendations. Traditionally this committee has not been involved in the policy area, but we are dealing with the advisory council's report. That report deals specifically with recommendations, some of which get into the policy area.

Moving to the bottom of page 10, we discuss educational programs and early intervention: "There is a noticeable

absence of early identification and intervention programs within general health, social and educational services despite widespread acknowledgement of their importance and priority status within existing policy." This is the advisory council's comment.

I have followed up two questions. Mr Hayes asked me to follow up with the Canadian Auto Workers to see if we could get some information on its substance abuse program. I have done that and circulated it to the committee. Second, I was asked to contact the Ottawa Board of Education to see exactly what it is doing in the area of education. I have asked for information to be sent to us explaining exactly its involvement in the substance abuse program.

I know also that Fairview Deaconess has been involved with the Ottawa board in setting up educational programs. I do not know if it is into a curriculum basis, but we will have some information coming from the Ottawa board on that. They are going to explain to me exactly what they see as their challenge and how they can make a contribution in this area. Then I have listed three recommendations from the advisory council dealing with early intervention in the school system, general hospitals, etc.

Moving down to the bottom of page 11, we discuss location of treatment programs. Dr Korn had referred to the importance of treatment in isolated areas of the province. It seems, based on the information we have received, that those isolated areas have been frequent users of US facilities. There is a recommendation from the advisory council on the top of page 12 dealing with that. They emphasize the importance of the location of treatment programs but they qualify that with "on the basis of cost-effectiveness and efficiency considerations" in the location of those.

1040

Then we move on to the Ontario treatment system in 1991 and into the future. When he was before us Mr Garth Martin from the Addiction Research Foundation talked about the need to expand services and also that a statistical basis would be required to target and elaborate exactly where the services should be going and which facilities should be expanded. The new registry system is something that will be very helpful. When it has been operational, perhaps for one year, it may be possible to do a comprehensive assessment of the system to identify strengths and weaknesses and perhaps to identify future capital investments and program deficiencies and future demand. That will probably be a very effective and helpful tool.

Talking about the program of the future, we have heard professionals indicate the importance of outpatient programs and the fact that there has been a bias for residential programs. Obviously the high cost of residential programs has been a factor.

Moving on, "According to the Donwood, the Ontario treatment system for substance abuse has the following problems." I will not read through Dr Korn's comments here, but he talks about a lack of the range of resources necessary in Ontario and poor matching of people to programs. The next three items, with respect to the United States, have been addressed by policy announcements, and that is the US hospital-based system, the use of brokers, etc.



On page 13, "According to the Donwood, Ontario is lacking in several areas" and they are listed here: assessment and referral services in Metro; short-term ambulatory—that is, outpatients—and residential programs; aftercare is inadequate; lack of services for young people, women, cultural minorities; and lack of programs sensitive to cultural and linguistic needs.

As I mentioned on the previous page, the appropriateness of having a comprehensive review of this system—an item that I had mentioned before—may be helpful. During our hearings and investigation of this issue I contacted the Ontario Mental Health Foundation. They have prepared a report, entitled Ontario Health Supplement, to be released in 1992. That report, combined with the addiction registry information, may be a helpful indicator if the committee decides it wants to comment on the system in the future.

Then we go on to the bottom of page 13 to Dr Korn. He took some time to explain how the Ontario system is better than the US. The programs are less costly, there is a more complete recovery program, in Ontario patients are closer to the community and the family, they can be less intensive where appropriate, and local treatment avoids the social ostracism of sending people away.

Then we go on to talk about the Ontario program of possible expansion of assessment and referral and emphasis on ambulatory care. We list eight or nine points that Dr Korn has on areas for possible expansion and improvement.

I mentioned in my earlier comments the bias for the residential program. This, as we know, is contrary to the US experience. With respect to follow-up on the use of US facilities, although it will be cut back, there still will be incidents and cases where patients will be sent to the United States. The Ministry of Health is currently in the process of assembling a preferred suppliers list which will be available, according to people I have contacted in the ministry, in 1992. So there still will be some use of the American facilities. I do not have any more information on that right now.

Moving to the planning and development of treatment models—we are almost finished this document—the committee may want to review briefly some of the concerns it had in the United States and lead into recommendations with respect to that visit.

Briefly, before getting into that, I want to touch on a report that was available in 1985. I am not sure whether we had time to wade through this—I do not believe we did. It was prepared by Garth Martin and other people from the Addiction Research Foundation. We went down to the United States last summer. These people went down in 1985, six years before, and prepared a report entitled *Alcohol Treatment in the United States: A Review of Selected Programs*. I have made some rough notes.

**The Chair:** Did they go to the Betty Ford Clinic?

**Mr McLellan:** I do not believe they did, sir. Before I mention some of our conclusions and concerns in the United States I will mention what these people had noted six years earlier.

The United States programs were not better than Ontario's programs in 1985. Ontario was not as dependent

on the Alcoholics Anonymous focus, unlike the United States, which the members who travelled to the US are aware of. There was a strong marketing force in the United States in 1985, unlike in Canada. There was a great deal of stress on what they referred to as two-way communication with referral services. The US programs were more accessible than Ontario's. They could obtain admission in a very few days. They had very broad admission criteria. United States and Ontario treatment methods were similar. United States aftercare in Canada was good, according to this report, with local offices established in Ontario.

The US used fewer professionals in its programs. The higher US costs were identified, and the US stressed the residential programs as opposed to outcare. That was obvious as far as Ontario patients were concerned.

When this committee travelled to the United States, we had a couple of series of meetings when we were trying to outline recommendations. In the appendix to this report I am going through right now, which is the US report, on pages 10 and 11 and also on page 3 of that report—I will highlight some of the committee's concerns so we do not have to flip back and forth—I had noted here in the report, on page 10, possible subject areas for future discussion. I will read through these quickly.

The first point is the design and effectiveness of special programs for adolescents, women, multicultural and native groups. After having visited the United States, we said we should look at that in Ontario. Also, we had expressed concern about the correctional system in Ontario and how effective it is dealing with inmates and also people who have committed minor offences and are not in, for example, the Ontario Correctional Institute in Brampton. We discussed the issue of waiting lists in the States. We discussed the topic of hospitals associated with correctional facilities and we wondered to what extent that was the case in Ontario.

We talked about the aftercare system. We talked about the cost of United States programs in comparison to Ontario clinics. We talked about the referral process; that is, dealing with employer, self-admission, court system and school system. Another point was the substance abuse programs in industry and business. I have touched briefly on the CAW and some of the other organizations. I have spoken with some of those people on how effective they are in Ontario.

I think an important point too was that we talked about the innovative treatment methodology at Parkside Lutheran. In that discussion that day, they explained that they have a four-part approach. There is a multidisciplinary assessment approach. They stress patient assessment. They reduce the treatment period in the facility and stress the detailed aftercare program. They have that short treatment period and then the long aftercare and the detailed assessment.

We talked in the United States about the educational preventive programs and the point that Mr Cousens had raised—I am not sure if he was here when we talked about it earlier—following up the Ottawa Board of Education. That information will be coming through.

We talked about home care as an alternative to primary institutional care. We talked about counsellor training programs and the accreditation system. In the discussion with Fairview Deaconess, we talked about outpatient adolescent



treatment programs. At that meeting, they referred us to the work they had done with the Ottawa board.

When we were finishing up that last day in the States, coming back we talked about inmate rehab programs and whether our system is as comprehensive as it could be.

**The Chair:** What committee did that travelling?

**Mr McLellan:** The public accounts committee.

**The Chair:** No, the one you talked about.

**Mr McLellan:** Oh, the Addiction Research Foundation.

**The Chair:** So it was not a legislative committee.

**Mr McLellan:** No, it was Garth Martin, Barry Sisson and Mario Faveri. That report, Alcohol Treatment in the United States, was in September 1985.

That is just a short aside to the US trip. We may want to get into that in more detail later.

1050

On page 15 we talk about planning and development of treatment models in the future. This is an area that we have not spent a lot of time dealing with, but I just want to briefly touch on it. When we were at the Donwood we talked about alternative models. In other words, if you were to move away from the residential to outpatient ambulatory programs, which would be less capital-intensive, there was reference to the regional model, on the bottom of page 15, aftercare models, facility models, decentralized models and community-based models. The regional model would decentralize and put less stress on, for example, a downtown or a metropolitan centre like Donwood and move the centres out into existing facilities in less serviced areas of the province. I will not spend time to go over those right now.

Then we had, in relation to this, a series of recommendations from the Advisory Council on Drug Treatment, and they are listed on page 16. Again, this is an area that we have not spent a lot of time on. The multifunctional centres: for example, at the bottom of page 16 there is discussion of the necessity for four to six regional multifunctional centres which would have a residential program, particularly for children.

On the top of page 17 there is discussion of continuing care and recovery homes. The ministry's announcement on September 25, 1991 stated that \$3 million would be made available to assessment referral centres for new staff and centres. Also, the expansion will enable this treatment network to provide outpatient follow-up services for another 1,500 annually.

There is some discussion here about the aftercare problems, and they are identified on the bottom of page 17. The committee had expressed concern in that area. Again, following up on page 18, the discussion of aftercare and the whole issue of housing and availability of housing and the extent to which people suffering from substance abuse have not been effectively integrated into the available housing programs in the province.

We go on to talk on pages 19 and 20 about outpatient services and case management. We spent a lot of time in the United States talking about case management and the council on drug treatment.

Recommendation number 23, at the bottom of page 19, stresses the importance of what we heard in the United States, that is, case management, which is ongoing assessment, ongoing planning, linking clients to needed services and continuous monitoring. That is listed on page 20 of the report.

The Addiction Research Foundation responded to the advisory council. As we know, the council prepared and submitted a report in 1990. A committee has been travelling across the province; we are waiting for that report now. I believe it is supposed to be available before the end of this year. While that was going on—in other words, Mr Mammoliti's group was travelling around the province canvassing and seeing what the response to the report was—the Addiction Research Foundation, parallel to that, prepared a report in response to A Vision for the '90s. I will just highlight some of their concerns. These points are well outlined and quite brief.

**Mr Cousens:** Do you have a copy?

**Mr McLellan:** I am working from a separate sheet now, but I can get a copy of that.

**Mr Cousens:** Do not worry about it. I just did not know that I should not be looking for a page.

**Mr McLellan:** So we finished off now on the report entitled Out-of-Country OHIP Payments Review. This is the Addiction Research Foundation response to the Vision for the '90s report. They make about 12 points.

1. Alcohol and drug problems need a high priority in Ontario. I guess it is a policy recommendation on their part.

2. There is a need to define the paths of the kind of addiction treatment system Ontario wants and needs in the future.

3. There is a lack of co-ordination within and between ministries and among treatment providers in the area of substance abuse and problems.

4. A revised policy to replace the addiction services policy is required. A master plan and centralized responsibility for program implementation in an effective system requires an informed policy, a co-ordinated strategy, an efficient management system, skilled manpower and scientific evaluation. The current policy is outlined in a document I requested and received recently entitled A Framework for the Response to Alcohol and Drug Problems in Ontario in 1988. This followed the 1985 policy statement. We have not gone into this policy in detail; we have not spent time on that.

**Mr O'Connor:** Who was that prepared by?

**Mr McLellan:** The Ministry of Health.

Developing a revised policy is a matter of trying to bring the main actors together: the Addiction Research Foundation, the Ministry of Health, the provincial anti-drug secretariat, the Ministry of Community and Social Services and the Ministry of Correctional Services.

5. A revised policy to address the findings envisioned for the 1990s should be based on public consultation. That has been done. We are waiting for the report.

6. A comprehensive strategic plan for alcohol and drug programs is required. It should be comprised of health promotion and treatment co-ordination across all government



bodies. The master plan should address the following: the structure of the treatment system, co-ordinating mechanisms, the delivery system, basic treatment models and general criteria for program proposals. It should establish and adopt principles of assessment and referral, matching client to appropriate treatment.

7. The principles and standards should be applied at the local or regional level as a community-based activity focused on district health councils. Local agencies are given the opportunity to identify and develop appropriate roles.

8. There should be a treatment system expansion. ARF believes that non-residential care should be emphasized initially and that treatment system expansion should stress the outpatient program.

9. There should be expansion in the area of special needs. They mention methadone treatment, multifunctional centres for youth, the disabled, dual disorders, native persons and women.

10. The Ministry of Health must assess, manage and guide the expansion of the system as the central player with respect to treatment, the treatment registry which is under way, case management and the manual on quality assurance. That would get into the issue of accreditation and system standards.

11. Maintaining and updating the treatment system, ongoing training and education, research. Components of effective treatment would be assessment—on and on. They want to promote day and evening programs.

12. The last item is resources—develop Ontario. They are calling for additional funds to supplement this program.

That is it, in a long-winded way. At least it identifies the main themes. We touch on the trip to the United States and some of the committee's concerns on that trip. We are now waiting for Mr Mammoliti's report. At least you have had a chance to look at the ARF's response to A Vision for the '90s. From there, if we want we can move into the area of recommendations and prepare an interim report before the end of the year, as the Chairman has indicated.

**Mrs Fawcett:** I would just like to congratulate Ray. When you were given the duty to do this for us, I wondered what on earth you were going to do with the mountains of information. I just want to say you have done a fantastic job of summarizing it all for us. Thank you very much.

**Mr Cousens:** Sometimes it is good to have that come from more than one party. What Joan has said really confirms my good feelings about the quality of the research for this committee. I think there is a tremendous amount of help that Ray gives us and I genuinely appreciate it.

**The Chair:** I think that is pretty well general. I would not want to downplay Ray's involvement, because it is excellent, but I think we have certainly received that from research across the board. Committees would be lost without their researchers. They really do the task.

**Mr Cousens:** I am worried about where we go from here. I know that is really where it ended, from the presentation that was just received. The worry I have is that, having gone through the exercise of visiting five clinics in the United States and two in Canada so far, our knowledge level—at least mine—has gone from a minimal under-

standing to a very wide breadth of understanding of the whole problem of chemical dependency and methods of treatment. I have real worries about where I am with that information, because I am not in a better position today to really say what it is the province should be doing. I worry about where I am going. I would not turn back the clock or want to not do any of the things we have done, but I do not know where we take it from here.

1100

If we are looking for recommendations, there is one I would like to see us possibly consider, among others. I am very open to all views, because I think every one of us has a sense of having grown. We have a lot of information here. The committee report is coming through and then there are other reports coming through from the ministry and other places.

Our Chairman said last week—and I do not want to lock him into what I understood him to say, but there may well be an issue here around the whole treatment of chemical dependency for the government to deal with in the way it asked George Thomson to look at the social services area. When George Thomson began that study on social assistance across Ontario, he went into it with an open mind but also a commitment from the three parties. It was a rare time when there was unanimity among all parties that we had to do something about welfare and people who were receiving social assistance. When his report came out, people were ready for it. There were recommendations made then on which there was an almost immediate consensus. In my 10 years around this place, I have never seen it as strong.

Maybe what we can do is add to the information base that can lead to a larger, more comprehensive program of study on chemical dependency in all its forms, and the services that could be provided here in Ontario that will lead to a long-term resolution of the problems we have.

**Mr O'Connor:** I think I would have to agree with quite a bit of what you have just said. I am glad we have the Provincial Auditor here today. Perhaps he can help steer us in a direction we can follow, which will not have us overstepping our bounds too much. I think we have gained a terrific knowledge and I look forward to seeing the rest of the facilities in Ontario that we have scheduled.

But I worry that we will drag it out too long and will not come to a conclusion on it. We need to come to a conclusion and make some recommendations that are going to be substantial enough that we will have something that can be acted upon with a great degree of success. I think we will all feel much better if we see some success at the end of it, along with the report.

Ray has done a terrific job compiling the information. There is a lot of information that has come before us and there are still quite a few people whom we could probably have come before us with some recommendations.

When we take a look at the funding situation, perhaps what we need to do is look at ways to make some recommendations on reviewing the patients who went to the United States. By reviewing them demographically in some way, we can identify some of the special needs. Perhaps



we are overlooking some of the reasons they went down there. Perhaps we can come to a point where we can start to look at specializing in a couple of areas. We have seen a lot of hospital models that seem to work. As we now take a look at changes within the hospital system and improvements in efficiencies, perhaps there can be some recommendations for some of that space to be allocated in this way, which will provide cost-effectiveness for the treatment of this serious problem, but also a way that we can take care of our people in Ontario instead of sending them abroad.

Perhaps through that, the aftercare will take place in a way that is going to be functional. Right now there are a lot of problems with aftercare and day care that have been pointed out to us. I think if we were to probe a little bit deeper into our adolescents and some of the areas around corrections, we would find that aftercare is very important. If we do not have some sort of system set up, it is not going to come together. Perhaps we can ask the auditor to assist us by pointing us in a direction that is going to have an impact in our report.

**Mrs Fawcett:** I think everyone would be in agreement that we do not want this to end. We really feel that it has to go forward, and just picking up on what you said, Mr O'Connor, perhaps now we should hear from the auditor as to whether he feels we have done what we can as far as this committee goes. Maybe there are areas where we could go further and then, should this be brought to another committee, like the standing committee on social development, where we could get into other kinds of recommendations we all seem to be making that maybe are not really within the mandate of the public accounts so much as that we want to see something happen. I do not know; I just throw that out.

**Mr O'Connor:** Just to add one point to what Mrs Fawcett said, in reviewing recommendations that have been made in other reports, we will not necessarily be affecting and making recommendations towards policy changes, but we can support changes in policy that come from another report. I think that is not overstepping our bounds but is a way of having some impact.

**The Chair:** What Mr Cousens says is something I consider attractive. We have constraints, being a standing committee in the Legislature, that we cannot go beyond a certain area.

There have been reports, it appears, from 1985 and probably before that. There have been reports and reports and reports, and if the abuse of alcohol and drugs is not as serious as the problem that was addressed by George Thomson through that type of committee—I believe it is, and I believe what we have been doing—and this is not, again, indicting any one government or pejorative in terms of a party—is that we have all tended to set up a sexy committee. I am not trying to prejudice George's report—I am sure it was done in good faith—but we set up these sort of short-term, quick-fix supposed ideas.

This is an issue that obviously every member of this committee realizes has been with us for a long time. It is getting worse. It is adding to the cost of running this

province. It is adding to the carnage we are leaving behind, which I think is even more important.

I think maybe we could sum all this up by simply recommending in our interim report that we feel this issue—I am not suggesting the wording; maybe we can work on the wording—is as important as the issue addressed by the Thomson committee and we recommend that a committee of that type, with people who have an expertise in this, prepare a report like the Thomson report, with the cost implications and so on, and the phasing of bringing it into being.

If we do not, five or 10 years from now, some other committee will refer to our report as to what we did. We are running out of time. I do not think we have the time to let it go on again. I think we have to get some group that will go out and prepare a report like Thomson's.

The beauty of Thomson's report, as you know, was that it had four stages, and what it did was allow a government of the day to implement one or two or three or four or none, but it allowed it to do it in such a way that it could manage the cost of it and also the politics of it. If we make recommendations here, and that may be the wish of the committee, I think they are just going to become more recommendations of the recommendations that have gone on before. As I look at some of the things that are in the task force, and I am sure are in George's report, there are many things we have seen that we would be recommending.

I do not know what the committee wants. I like Mr Cousens's idea. Obviously, there are a lot of things on the plate of the government today, but it is not a matter it has to do in-house. It can be done outside. I have a great guy for them here too. I just got a letter from the Addiction Research Foundation. Apparently they have come up with a guy from Australia who is an expert in the field of alcohol and drug abuse who would be a great guy to lead the charge, like Thomson was. I do not know what your feelings are about that.

Hi, Minister. How are you? I do not know what your feelings are in that regard.

1110

**Mrs Fawcett:** You are coming back to old haunts here.

**Hon Mr Philip:** It is true.

**The Chair:** You cannot stay away, eh?

**Ms Haeck:** There are quite a few chairs empty here.

**Hon Mr Philip:** I do not want to have to do this job again in four years. I might get too attached to it.

**The Chair:** What are the committee's feelings on that? I have found that if you have too many recommendations in a report to the Legislature, they just get lost. Nobody reads them. If you have one definitive recommendation—we could indicate just how serious this issue is, it is as serious as the Thomson matter, it should be dealt with by a committee such as Thomson's—it will draw everything together.

**Mrs Fawcett:** I just wonder if some of our recommendations should go to—is it the anti-drug secretariat, the part of one ministry? I am not sure which ministry it is with now; the Solicitor General?



**Mrs MacKinnon:** I thought it was the Ministry of Health.

**The Chair:** See, that is part of the problem too. We have seen that. We have been told that.

**Mrs Fawcett:** Yes, I know. Is there something around it that, rather than a whole new group, we might—

**Mr Cousens:** I do not know their charter, though. That is the problem.

**Mrs Fawcett:** That might be something we should really look into, what they are doing and whether there are recommendations we can make to them.

**Ms Haeck:** Can I just interject here? I passed a note on to the Chair earlier to indicate that, as recently as yesterday, Mr Mammoliti approached me and said that from his discussions with the people who are printing it and all of this kind of thing, his report should be out shortly. He is hoping to have it within the next three weeks and he would like to come back and talk about what his final report says. Obviously the kinds of questions you are raising, both you, Mrs Fawcett, and Mr Cousens, are the kinds of things that should be directed to him. This is an area of long-standing interest with him, so I know he would be very anxious to come back and talk.

**Mr O'Connor:** Just further along the discussions we have been having, I think one of the changes when they did change the Provincial Anti-Drug Secretariat under Health and sent George Mammoliti over there was a signal that in fact we are heading in the right direction in talking about this, because we have been talking about the seriousness of this problem and we have been treating it as a health issue problem. By sending George Mammoliti's PAship over to Health, I think that was a signal that the government agrees with us as a committee that we are heading in the right direction and it is heading the same way as well.

My question is just whether we can maybe ask the Provincial Auditor if he could help us here, because I am wondering, because of all the work we have done, if we come up with one recommendation; or perhaps there might be some in the dollars-and-cents angle of looking at this committee. You have heard some of what we have been looking at. Could we have your opinion?

**Mr Archer:** Where you should go next? I certainly agree with the general tone of the discussion that you want to wrap it up into some neat package eventually. Whether you go the route of one recommendation that Bob suggested or many that seem to flow out of what we have heard this morning is the question.

Speaking from the provincial audit side, I really cannot give you much specific advice at this point, because we have not been with the committee on its trips to the various sites. This is the first time I have seen the research material. But certainly we will study what is available and work with research and the committee, if necessary, and come up with some suggestions as to directions you might go in an effort to tie it up in a nice, neat package.

I could not give you anything specific at the moment, but I certainly agree with the need to do that. You have spent many weeks at this, and considerable cost and so on,

but I do not think you want to get into just reiterating recommendations that have been made by other groups.

I am not clear on the extent to which the committee has broken new ground, if you like. Maybe you have not broken any; maybe you are just going over ground that has already been covered by other groups. It is that issue you want to get clear, and to the extent you have broken new ground, I think you should make recommendations. To the extent that you are reiterating what other people have already uncovered, then I think you would want to pick the more important of those and re-emphasize them. You do not want to report with 50 recommendations. I agree with Bob. If you can keep it down to five or six at the most, I think you will have a product that maybe people can work with.

**Mr O'Connor:** In dealing with that, then, perhaps we should be looking at the financial, following along with a strong recommendation along the lines Mr Cousens raised and then pinpointing the financial end.

**Mrs Fawcett:** It is always helpful to go back to the original question as to why we went out on this in the first place and answer that, or make a recommendation there.

**Mr Archer:** What made you decide and what got you on this in the first place?—I think you have gone beyond that and you are far beyond that in your exercise since. I do not think you want to ignore the other aspects, but certainly what got you going in this area in the first place I think should be a focus of whatever report you come out with.

**Mr Cousens:** I think Christel is giving us a sense of the political reality, and it is coming through from Larry as well, that there has been another group within the Legislature looking at the issue. Prior to that, there was also an initiative under the Peterson government which escalated it to a level of importance that we had not seen. Certainly the auditor's findings gave us reason to follow it further.

I see the political side being dealt with simultaneously with the recommendation side. What we really have to look at is to make sure that we do not operate independent of other groups around here, if we are able to find some kind of consensus from within all our groups on this subject over the next several weeks and if there is some kind of consensus we can find. Many of us are qualified to do this. Our Chairman and representatives from our caucus, the communications group, could go back and say, "Here's the direction we want to go."

That direction could be twofold, one that really says—I like what the auditor just said and I think we were coming that way—we have some good findings; let's share them. In our recommendations, let's highlight those we really do not want to see lost because, whatever happens in the future, then we can talk about it. We would like these few things anyway.

But the number one recommendation—if we find consensus now it is going to give far more impetus to the whole initiative—could well be having some kind of provincial government task force studying drugs, such as George Thomson did, that will lead to a long-term remedy. If we take a little time and work towards that, along with our other recommendations, which can be more succinct—



I have another worry, and if we can do that, I think that takes us in the right direction. It is a level we have never really done in this committee since I have been around, but to me, what the heck. I have never seen the committee as coalesced as we are on an issue, and as concerned. I have to kick myself to think that I am agreeing with Ellen MacKinnon as much as I am.

**Mrs MacKinnon:** Do not kick yourself over me.

1120

**Mr Cousens:** I have. But we have agreed and we have spent enough time talking about it. The first two points are the politics of it and a series of key recommendations, and the third point I really think is implicit to all of our stuff. The auditor's report is coming out shortly, his overall report. We are going to get on to next year's activities very soon.

We would be missing part of our responsibilities as we face the future months not to begin to say, "Let's assess what it is he has to say so we do not get caught spending more time on this subject without understanding that we have other objectives to get on with."

**Ms Haeck:** While I do not in any way disagree around the issue of having another Thomson report, one thing that has been made clear from all your comments to now is that—I am thinking even of the federal initiative about the study of the non-medical use of drugs; I have forgotten which year that occurred in—this is really a long-standing societal issue, and I am just wondering if we want to send that message again of another study. While we all seem to be coming up with the same answers, we are actually not acting upon them. All we are basically doing is studying it again and we can add it to whichever side you want to do it. Yes, we are starting, we are going to try to do the right thing and we are consulting. Obviously other people can say, "You are spending X dollars in an untoward fashion." We have learned the lines well in the last year.

The one thing I am concerned for is for those people who need some concerted action and direction. We are just putting off the solutions and remedies, and I am wondering what is the most direct way, other than another study, of seeing some of these things really being put into force. That is the question I have not seen answered here.

**The Chair:** If you look at the Thomson commission, that was the criticism that could have been made of the government of the day that initiated it, that it is just another study and the poor people are still out there, poor. It is an issue that has been around for ever, and probably will be around for ever and ever, but it crossed ministries just like this. It was being dealt with by a host of agencies and ministries and what they really wanted to say was, "What is it, how do we get a handle on it and how do we stage it?"

There are still three parts that have not been implemented, but the government of whatever day will be able to do that in the terms of the fiscal responsibility it has at the time. But it has been done; it is there. It is unfortunate we do not have George's report at this point, but getting back to Don's comment, if we let it go, we are going to get out of what we are going to have to do when the auditor's report comes in if we recommend that overall review.

I think it is a win-win situation in terms of the issue. It is a win-win situation politically because drug and alcohol treatment is so important, and yet we have all these committees going off in different directions and coming up, as you say, Christel, with the same conclusions. But somewhere along the line there is an overall strategy that is going to be picked up by the Thomsons of the world, the strategy of your government, the next government, or whatever.

This thing has been beaten to death for years, and it has been piecemealed. Christel's comment about dealing with the people who need the treatment right now I think falls into Don's comments that we could ask Ray to prepare for us those things that are different from what everybody else has come up with. Is that an impossible task, Ray?

**Mr McLellan:** No.

**The Chair:** Then make our major recommendation—and I simply throw this out—something with a recital about, whereas millions of dollars—that ties it into our auditor thing—have been spent on treatment in the United States, and whereas facilities in Ontario have perhaps not kept up, or we do not know whether they have kept up, or if things have changed because the problem now is kids and so on—a nice recital that ties everything in. Then we recommend that, this issue having been studied by numerous bodies, a committee similar to the George Thomson committee be struck to review the matter and then go on to list the items we found specifically different from the other committees.

In that way I think we have tied it together nicely and done our job. What I think we have to do after that—I do it every time I stand up in the House and I try to do it on a totally non-partisan basis—is raise this issue in every speech we make. You can do it in a friendly fashion if you are a government member, you can do it in a friendly fashion if you are an opposition member because, as we have learned, it is an extraordinary issue. It is affecting the very fabric of this province and this country. If we let this thing gather dust, then we have had a nice trip to a couple of exotic places, although I did not think they were terribly exotic, and I do not think anybody else did. We have wasted our time.

I am sorry, I did not mean to be long-winded and I probably am too often that way, but this is an issue I would like to see done and put to bed or whatever.

**Mrs MacKinnon:** No, do not put it to bed. Wake it up.

**Mrs Fawcett:** I think you are right in saying people do not want yet another study, but I think we are beyond that. We are ready for the next step just as Ms Haeck said. Maybe, after we speak with Mr Mammoliti and see just exactly where his group is headed, then something will emerge as to what our next area will be and maybe we will have another, not a study but something else in which we make recommendations to really get something done.

**The Chair:** In anticipation of that, Mr O'Connor, could we ask Ray to find the things that have not been already—although he cannot do that without the Mammoliti report, can he?

**Mr O'Connor:** That is right.

**The Chair:** Why not give him that direction, that it would be subject to his getting the Mammoliti report. Is that



all right? Then we get on with other business in the meantime. Although Christel says the Mammoliti report is going to be available, we understand from talking to the ministry staff that it should be available in the next few weeks. It is still being translated and so on.

**Ms Haeck:** George is hoping within the next three.

**The Chair:** Yes, but the problem is if we do not get it before the House comes down.

**Mr Cousens:** Could we get a copy to Ray earlier, if it is ready and he is doing a translation or something at this point?

**Ms Haeck:** We could certainly ask.

**Mr Cousens:** Why not try that? Then we can start to synchronize our activities. In the meantime, let's have an informal gathering with the minister and George to see how he is coming along. Let's make sure Frances Lankin has a sense of where we are going so there are no surprises.

**Mr O'Connor:** The idea of perhaps a further consultation taking place, I do not think we are completely off base with that. We are probably heading in the right direction, because last night I was in my riding at a meeting, talking to some constituents and, of course, somebody was there who is going to be involved in the next phase of consultation on the long-term care reform. The announcement was made in early October that we are going to do some more consultation.

Of course, the local opposition member up there put it in the paper that, "Oh, they are just going to study it again." Here I had this constituent saying, "This is terrific because you are going that one step beyond and you are going to reach into the grass roots and really pull in some feedback." She was just so enthusiastic about it and she is not even an NDP supporter.

Still, it just shows that sometimes it takes stages and it is a long process. Long-term care reform has been around for an awfully long time, but to come up with some real, concise and practical solutions—some solutions are going to be implemented now, but further consultation to get some broader solutions is going to happen.

Along the same lines, a number of reports and a lot of recommendations have been made, but perhaps there needs to be something to draw it all together. Ray probably would love the challenge, but I do not think we can possibly ask Ray to try to pull it all together, because there is an awful lot of information out there. That final study is going to try to implement a little bit more and reach out a little bit more broadly into the community, and perhaps now is the time to do it. I think it would be a very worthwhile recommendation from this committee.

**The Chair:** Our committee, has constraints, as we saw. We can only travel hither and yon. A committee like this, like George Thomson's, really has a broad mandate just to speak to the matter of long-term care. The politics of this place obviously is that every government puts a spin on the issue it is addressing. I think the secret and the novelty is to get that issue resolved in the most efficient, effective way. The only way you do that, I think, is to have all the pros and cons looked at and come up with a strategy that is going to work. That is why I think Thomson struck gold. They used to have royal commissions and those

things would go on the shelf. I think Thomson's committee was an innovative way of doing it and I think it maybe is something we can do for the future.

1130

Let me caution you, you are going to have to fight like hell to get it implemented. Without revealing anything outside our caucus, you have to fight like hell to get the Treasurer to implement one, two or three phases of it. But if you have it and it has been supported by members of the Legislature, then you have a possibility of achieving it. I really feel very strongly about this. If I leave this place having done nothing else, I would love to see this thing set in motion, because I have seen it for 30 years in the courts, and it is absolutely astounding the impact it has on cost, families and so on. If we could ever get it under some degree of control, I think we would save a lot of money down the line. I have yacked on and I should not. Any other suggestions?

**Mr O'Connor:** You are not suggesting, though, that we put an end to our tour on these—

**The Chair:** Oh, not at all, because we may find a couple of other recommendations Ray will put in there that they do not know about. More important is that each member of the House become more informed on the issue. I really urge you, without perhaps invoking the ire of your whips and your House leaders, to speak on it every chance you get, because it is that important. That is the only thing that really gets it highlighted and moves public policy to accomplish anything.

We have an opportunity to have Gordon Bell. He is 80; he will be dead if we do not do it fast. We have an opportunity to have a fellow by the name of Robin Room, who is the new vice-president of research and development at the Addiction Research Foundation and one of the world's leading scholars in the field of alcohol studies. He describes the beginning of his research career, he remembers stumbling into it. I will just read this news release quickly.

"A native of Sydney, Australia, he went to university in the US and, as a graduate student, took a summer job on a study of drinking practices in California.

"'It was a time when the alcohol field was beginning to open up,' says Room. 'It wasn't enough just to treat alcoholics any more, there was also a need to understand how alcoholism related to social drinking. For sociologists, that meant finding out more about drinking patterns and problems in the general public.'

"What followed were three decades of dramatic growth in the field of drug and alcohol studies."

"I was fascinated by what I saw. Alcohol and drug studies provided a unique lens through which to view societal attitudes about leisure, about self-control, even about liberation."

"Room's fascination with social policy and attitudes has developed into an international career. After completing his studies in both English and sociology at Princeton and the University of California, he went on to win the Jellinek Memorial Award for Alcohol Studies, act as expert adviser to the World Health Organization and serve as president of the Kettil Bruun Society, an international organization which encourages collaborative studies on alcohol."



There are some comments by Mark Taylor, who is the president of the foundation. He said they are proud to have him there. He has built an outstanding international reputation. Then he was asked why anyone would leave California to work in Toronto. What does he hope to accomplish in his new role? "Well, to be quite honest, more of the kind of research I am interested in," says Room. "To a large extent I will be wearing an administrator's hat, and I am certainly committed to helping the ARF take full advantage of its research capacity. I am also planning to continue my own research and it will be easier than if I had stayed in the US. That's because the ARF is unique in the freedom it gives to researchers."

That is good. Probably if there were more money poured into scientific research, they might find there is a medical cure to alcohol addiction, like diabetes. Who knows? Think of being a part of that. Having any involvement in that would be a tremendous thing. That is dreaming a little, but you cannot fly if you do not dream.

**Mr O'Connor:** I would like to compliment the Chair actually for bringing this matter to the attention of the House about a week and a half ago. He went on at length and complimented us all as committee members looking into this issue. I only wish that when he brought it up in the House he had not talked at such length that the House adjourned for the day and we never even had a chance to compliment him on the fine job he did in bringing it up and allowing some of the other committee members to compliment him there in front of the public during our two-minute opportunity for responses.

**Mr Johnson:** Will there be continued debate?

**The Chair:** I thank you for that, but I am not looking for that. I would like to see this issue given a very high profile, and I think it would save a lot of dough. Yes, Mrs MacKinnon. I am sorry, Mr Johnson, ladies before gentlemen. You are a gentleman too.

**Mrs MacKinnon:** I am older than he.

With your position as Chair, under reports by committees every day in the House, do you not have some opportunity whereby periodically you could report what the committee is doing to keep this whole issue kind of front and centre?

**The Chair:** I do not think so, but I will take advice from the expert here. The clerk tells me only if we were to issue an interim report, because that is when you are able to comment on it.

**Mrs MacKinnon:** I did not mean to do it every day; I just wondered if this is an opportunity. You seem to be leaning in the direction of telling us every time we speak to do it, and that is all right, but I just wondered if in your capacity as Chair you may have even a greater opportunity.

**The Chair:** Do you know a way we could do it? I do not know. Don, you have been around here longer than I have.

**Mrs MacKinnon:** That is why you said, "Age before beauty."

**The Chair:** I wonder, if we were to have somebody do a motion in the House in private member's hour—mind you, that only gives you an hour to do it in—that a Thomson-like committee be set up. Mind you, we cannot do that because that would be an expenditure of money. I guess it would be contrary to the rules.

**Mrs Fawcett:** Let's not get the cart before the horse.

**The Chair:** Yes. But that is the answer I get from the clerk, and I am sure that is right. Unless there is a report before the House called as an order of the day, then you do not get a chance to do that, other than in speeches like interim supply.

**Mr Cousens:** I think we have to deal with the politics of it, and the politics really require a little bit more lobbying from outside our committee to lead to some kind of direction. Someone may have some twist that will allow us to move it forward in a way that we do not lose where we have gone.

The only caution I have about the résumé that was read by the Chairman is that, though this person looks very qualified, we would not want any of our recommendations to sort of limit that person. I do not think you are saying that. What you are really illustrating is that he is a qualified individual who could lead such a task force.

**The Chair:** Beyond.

**Mr Cousens:** That is really the only issue you are trying to make on it. At this point, I do not care how they do it as long as something happens. There are gifted people who can help make it happen. Is that truly the point you were trying to make by reading this?

**The Chair:** Yes, very much so. Anything further? What have we got on tap? Are we going to visit a facility next week? Could we ask Ray to isolate those? Is it possible, Ray, that you would highlight the items for us that have not been dealt with in all the reports we have at the moment and leave it open to address also the Mammoliti report when we get it? Okay? Is that all right? Is that agreeable to the committee? Then we would visit Pedahbun Lodge a week Thursday.

**Mrs MacKinnon:** Two weeks today.

**The Chair:** Yes, at 8:30. That is King Street West, so I assume it is Toronto, is it not?

**Clerk of the Committee:** Yes, they are all in Toronto. That is the native.

**The Chair:** Native, right. Okay? I guess we will have the same deal that if you want to come here, Tannis will have cabs, but if you want to go on your own, that is probably okay. So we would be here at 8:30. Cabs would be leaving here at 8:30 on the 21st if you wish to take a cab to the facility.

**Mrs MacKinnon:** We will get some communication on this?

**The Chair:** Yes. Anything further? Okay, we stand adjourned until the 21st at Pedahbun Lodge.

The committee adjourned at 1142.



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## STANDING COMMITTEE ON PUBLIC ACCOUNTS

**Chair:** Callahan, Robert V. (Brampton South L)  
**Vice-Chair:** Poole, Dianne (Eglinton L)  
Bradley, James J. (St. Catharines L)  
Conway, Sean G. (Renfrew North L)  
Cousens, W. Donald (Markham PC)  
Haeck, Christel (St. Catharines-Brock NDP)  
Hayes, Pat (Essex-Kent NDP)  
Johnson, Paul R. (Prince Edward-Lennox-South Hastings NDP)  
MacKinnon, Ellen (Lambton NDP)  
O'Connor, Larry (Durham-York NDP)  
Tilson, David (Dufferin-Peel PC)  
White, Drummond (Durham Centre NDP)

**Clerk:** Manikel, Tannis

**Staff:** McLellan, Ray, Research Officer, Legislative Research Service



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First Session, 35th Parliament

## Assemblée législative de l'Ontario

Première session, 35<sup>e</sup> législature

## Official Report of Debates (Hansard)

Thursday 12 December 1991

## Journal des débats (Hansard)

Le jeudi 12 décembre 1991

### Standing committee on public accounts

Subcommittee report

Report from Anti-Drug Secretariat

Ministry of Consumer and  
Commercial Relations

### Comité permanent des comptes publics

Rapport de sous-comité

Rapport du Secrétariat provincial  
de l'action antidrogue

Ministère de la Consommation  
et du Commerce

Chair: Robert V. Callahan  
Clerk: Tannis Manikel

Président : Robert V. Callahan  
Greffière : Tannis Manikel

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 12 December 1991

The committee met at 1006 in room 228.

### SUBCOMMITTEE REPORT

**The Chair:** Your subcommittee met on November 27, 1991, to discuss the committee's agenda. It was agreed that the committee would continue to discuss substance abuse at the next two meetings and that the report would be tabled in the spring. It was agreed that the committee would consider the following sections of the Provincial Auditor's 1991 annual report in 1992: sections on hospitals from the 1990 and 1991 annual reports; section 3.4 of the 1991 annual report on waste management; sections 2.5 and 2.6 of the 1991 annual report on computers, and section 3.15 of the 1991 annual report on government-owned housing.

The subcommittee directed the clerk of the committee to write to the three party House leaders and whips to request two weeks of meeting time during the winter recess. The subcommittee directed the Chair to contact the Premier's office to inquire on the status of the appointment of the Provincial Auditor.

I spoke to Ray McLellan, our research officer. Since we were going to be discussing George Mammoliti's report today, it was felt that to do justice to our interim or even our more-than-interim report, because Ray has 60% of it completed but did not want to go ahead and complete it without the Mammoliti report and discussions on it in case it changed the tenor of the report, he suggested to me, I am in agreement and I put it to the committee that we do not want the report to come down next week and gather dust.

I propose we give Ray additional time, although he does not need it—he is quite prepared to complete it by next week—to prepare a report we can then present at the opening of the spring session, so that it is highlighted. Perhaps moods will be a little less frayed at that time and we might be able to convince those in positions of authority to give us a day to debate the report because it is that important. Does anybody have any contrary views as to that instruction to Ray or have a problem with it?

**Mr White:** I am wondering, given that format, the degree to which the committee members will be able to comment upon a draft report—

**The Chair:** You will have a draft report.

**Mr White:** —whether the timing would be sufficient. Perhaps I could ask Ray to comment. Also, Ray, you might want to be aware of the fact you seem to have a new title as the Provincial Auditor.

**Mr O'Connor:** That was what I was going to say.

**The Chair:** Dealing with your first observation, a draft report will be available for us to discuss one of those days during the intersession. We can then have Ray prepare it in final form and it can be presented in the spring at the opening of the session.

**Mr White:** My concern about that, Mr Chair, is that this committee does not sit during the intersession.

**The Chair:** We have not been informed. Do you know something we do not know?

**Mr White:** I do not know. Do we have scheduled sitting days during the intersession?

**The Chair:** We have requested of the House leaders sitting time during the intersession but we do not have a response yet. I am sure we will get some time; whether it will be what we have requested, I do not know. The clerk indicates Mr Mammoliti has a bill in the House at 11, so I think we will go through his report to let him get into the House, if that is all right. We can discuss this further if you want, Drummond, after that.

**Ms Haeck:** As a point of information, I would like at some point to raise the issue of the auditor. I fully concur, since George has to get into the House, that it should be some time after 11 o'clock, but I did want to make sure we had some time to discuss that.

**Mr White:** Might I suggest very simply that we have a subcommittee report before us that should be accepted. Those recommendations should be accepted with the proviso that the whole committee have the opportunity to comment upon the draft report prior to its being tabled.

**The Chair:** Yes, very definitely.

**Mr White:** I guess that would be an amendment to the subcommittee report.

**The Chair:** I do not think that is even necessary because that is the practice of this committee. We would never do that in a subcommittee; it would require a full committee.

**Mr White:** It might bode well if it were stated.

**The Chair:** I am told by the clerk, and I have no difficulty with it, that procedures of the committee require it receive approval of the full committee before it can even be printed or tabled. That will happen automatically, but I thank you for bringing to my attention that we should adopt the subcommittee report.

**Mr White:** Thank you to the clerk for that clarification, and I move acceptance of the report.

**The Chair:** All right. Anybody contrary to that? Motion agreed to.

### REPORT FROM ANTI-DRUG SECRETARIAT

**The Chair:** Okay, Mr Mammoliti, if you would like to come forward we will put you in the hot—no, no. Do you have extra copies of that report? I did not bring mine along with me. We should get started because Mr Mammoliti has to get back to the House for 11. Have you had an opportunity to review the Hansards, George?

**Mr Mammoliti:** From the last time?

**The Chair:** Yes.



**Mr Mammoliti:** I have had an opportunity to glance through them, yes. I guess the difference between the last time and now is that I will be able to be a little more specific on how I feel, what I have witnessed and what I have encountered through the tour.

**The Chair:** Do you want to make some opening comments?

**Mr Mammoliti:** Only that I am proud of my report. I think it is something Ontario has been waiting for in terms of the government's opinion. We have heard in the past how the experts and the public have felt somewhat on addiction, the problems that exist around treatment in Ontario and how they feel about the money spent across the border last year in OHIP payments towards addiction treatment.

I am proud in the sense that this was the first time a government has gone on the road with parliamentary assistants to view the opinions of the experts, the public, the key people who have an interest in this particular problem. This is the first time a report has been issued on how a government feels. I am proud to say as well that this report, *Treating Alcohol and Drug Problems in Ontario: A Vision for the 90's*, is now the official blueprint for this government's change on policy.

With that, I will leave it open. The last time I was here you had questions. I could not answer a lot of them because the report had not at that time been released. I will leave it at that and open it up for you.

**Mr Cousens:** Just a couple of questions on process: Why was it that the committee consisted only of New Democratic members?

**Mr Mammoliti:** The minister at that time felt there should be a process the government should learn from, and there should be that consultative process that people have always talked about. In a nutshell, we had to learn a little more about treatment and addiction and where we should go in terms of our policy in Ontario. There were also some key recommendations in the *Vision for the 90's* report that talked about—

**Mr Cousens:** What is that report?

**Mr Mammoliti:** That is a report some key experts were assigned to by the previous government. The mandate of that committee was to look at treatment in Ontario and at some recommendations in terms of setting up a system in Ontario that is just as good if not better than the ones in the United States. They recognized that they were spending a lot of money across the border and wanted to do something about it.

That sparked the minister's recommendation to send the parliamentary assistants from the key ministries out to look at these recommendations from *A Vision for the 90s* and whether the ministries could implement or look at implementing the recommendations made in the future.

**Mr Cousens:** I want to make one point. What happens when the process for an important study is taken over by a political group, such as your committee—it consists of only New Democratic members of the Legislature. It starts off the process that prejudices the result by virtue of the fact that it excludes the whole of Parliament within the process.

I want you to understand that from my perspective, as a Conservative and as a member of the Legislature, on an issue that involves everybody across the problem—when it begins with a partisan group digging into it. If it is supposed to be a non-partisan subject, which to me it is, I have trouble coming through and appreciating what you have come out with because you have done it wrong to start with.

I want to put on record in this committee that I do not approve of the method of approach where the government—it is not your doing, but whoever appointed you and the process by which it became an internal NDP caucus activity then. It certainly does not add to the—you are not going to get the involvement from the Tory caucus; I cannot speak for the Liberals—

**Mr Cordiano:** Don't.

**Mr Cousens:** I would not, with all due respect. It is not constructive to the issue.

1020

**Mr Mammoliti:** Okay. I can understand you are concerned. However, I think you are right. I think if you have a problem with it, then there is a way of dealing with it. You may want to ask Mr Farnan, who was the minister at that time, why he made the decision.

I was asked to do a job and that was to chair this committee. I did whatever I could to be fair and effective in the chair and I think I accomplished that. In terms of any criticism, I would be prepared to take the criticism in terms of my report.

**The Chair:** Can I just interrupt, please? Mr Cousens, I know what you are saying and I do not want to curtail any comment on that, but you have just triggered what I am sure is going to come from other members, their wanting to speak to that issue. Really, the reason we have Mr Mammoliti here is to discuss the report. I appreciate everything you are saying, but our government—and I will say this on the record—did the same thing. We had a group of parliamentary assistants who did a small business report. If it had been four New Democratic members who had no connection at all with the government or with a particular ministry, I would have agreed, but they are all parliamentary assistants.

I am sure that what you wanted to respond to, Drummond, and I think—

**Mr White:** If I could make a point—

**The Chair:** How about after George leaves you can make all the comments you want? But we have him here; he has to leave at 11. If we are going to get anything meaningful out of it, I think I have to take the prerogative of the Chair and try to get on—without any criticism. I understand what you are saying, Mr Cousens, and I am sure Drummond will have something to say, but I think we should get out of George what we can between now and 11.

**Mr Cousens:** Did your committee take into consideration any of the recommendations? Do you have a comparison between the Black report and what you have come in with? Is there anything significantly different? I guess what I want to know is, is there a breakdown with where



the Black report was and where your report comes? What are the differences between the two?

**Mr Mammoliti:** I guess just to clarify it, I assume that when you refer to the Black report, you are referring to the Vision for the 90's report.

**Mr Cousens:** Is that what it was called?

**Mr Mammoliti:** Yes. That report was the basis. The mandate of my committee was to listen and respond to what we heard. That is what this report does. You will know that this report talks about what the Vision for the 90's recommends and then it goes into what we heard and what the public feels in terms of that particular recommendation. In most of the recommendations, if not all of them, the public and the experts agree totally with the Vision for the 90's.

**The Chair:** Can I help you out as well, Mr Cousens? There was a research document given to us yesterday. If you look at page 3 halfway down the page, a lot of that information might help you in terms of the question you are presenting at the moment.

**Mr Cousens:** My final thing is to thank you for coming and sharing your information.

**The Chair:** I had two other speakers on the list. If that was with reference to the issue that I think we have deferred, at least for now anyway, do you still wish to speak?

**Ms Haeck:** I had my hand up first and I really prefer to go in that kind of order. I actually have a question on the report, without getting into the political licks of this. I want at least to add my two cents worth and make my political statement here, because if you look under the acknowledgements on page 2 of Mr Mammoliti's report, you will see there are a number of other people who sat in on his trek across the province. I happen to be one of those people, but I also recognize Michael Brown, who happens to be a Liberal member, and Frank Miclash, who also sat in on these and is also a Liberal.

I suggest to you, Mr Cousens, that somehow, however you and your colleagues did not contact Mr Mammoliti to be part of this, I would think there was some failure in communications or misunderstanding of your ability to participate in this particular exercise.

Now, Mr Mammoliti, I have a question about the report. That question is, in our visits to various facilities in the Toronto area particularly—I cannot speak for the US leg of our investigations because I was not there—but the most recent one relates to criticism that your report, shall we say, condones, reapproves, focuses in again on the medical model. In my own reading of these recommendations, I really do not see that criticism verified. Could you please comment on that?

**Mr Mammoliti:** Without your even telling me whom you visited and whom you have seen, I can tell you that I think I would be willing to bet what particular agency or treatment facility said that. But you are absolutely right. As a matter of fact, we talk about getting away from the medical model and getting away from even that inpatient care to a degree as well. So whoever told you that, I would say, is mistaken. That is not the truth. We recognize the people out there do not want to relate it to medicine, and it is not a

medical problem. However, we have to understand that there are some addicts who are that far gone who would need medical attention, and we have to realize that as well.

**Ms Haeck:** There was a recommendation here about detoxification centres, support for the expansion of detoxification centres and the revision of their mandate to address the use of drugs other than alcohol and the multiple needs of the addicted, etc. To what degree do you have knowledge of what detoxification centres may at this point deal with helping someone get off drugs and not just alcohol?

**Mr Mammoliti:** Well, it is not only alcohol, by the way. Inhalant abuse is becoming rampant, and we still do not know how to treat that. The experts still are having a hard time figuring out how to treat that. So right now detox centres across Ontario accept clients. They do whatever they can to help that person, and that is about it.

In terms of appropriate counselling, perhaps early intervention and that sort of thing, we were told that a lot of them may not know how to do that. We recognized the fact during the tour that people are concerned about this and that detox centres should be established across Ontario; more to the north of course, but even in parts of the cities. In certain big cities there is a lack of detox centres.

They also talked about how jail cells are being utilized for detox centres and how that should not be. They also talked about hospital beds being used as detox centres and how we should not get into that. There should be community detox centres around the province, set up properly, with some expertise as well.

I hope I answered the question.

**Ms Haeck:** You have. Thank you very much.

1030

**Mr Cordiano:** I have a question and I also want to say I think the report is quite an extensive one and a good effort at getting to the root causes of the problem. I have no problem with parliamentary assistants doing that, because I think the role of parliamentary assistants has expanded and can be useful in the overall workings of government.

Let me just simply say that what I do not see, and I have had a brief look at this report in terms of its recommendations—my understanding of this is that it is obviously a holistic approach that we are going to be taking with respect to the problems we face in dealing with new treatment systems. The way it has been announced by the minister is that we are going to have an expansion based on—I believe it was in her statement of November 19 of that year. Let me see, what date was that? In any case, the statement we have on that—

**Mr Mammoliti:** The most recent statement.

**Mr Cordiano:** Yes, the most recent statement.

**Mr Mammoliti:** Some \$9.4 million.

**Mr Cordiano:** Right. Obviously that is going to be inadequate to deal with the recommendations in this report. Of course, most of the efforts that are being made in communities—I know in my community there have been projects announced and questions about extended funding for those projects. I do not think the \$9.4 million is going to come



anywhere near covering the kinds of recommendations you are making here.

I would like to see along with this, if the government is going to make further announcements, multi-year projections about where we are going to end up in terms of costs and a systematic approach to funding those treatment systems as they unfold, not just a hodgepodge kind of approach, which I think will be ineffectual and will not work. It will fall apart at the seams. If we are going to have people trained in this area, then we have to create a direction, objectives and policies which will go into multi-year plans.

**Mr Mammoliti:** I do not want to tell the committee what to recommend and what to do on this, but I see that as an excellent recommendation.

The reasoning behind the \$9.4 million came out of our tour. We kept the ministry and the minister abreast of everything we were hearing, and because it was so crucial, because the statistics were so high, they had to react almost immediately. If you note, the report had not come out at that time, yet the \$9.4 million was announced. That was because it was crucial and we recognized that we needed some funding across Ontario.

If you will note, the people in Ontario say that \$9.4 million obviously is not enough; they are recommending \$22 million. The recommendation from Vision for the 90's was—at that time the projected figures being spent across the border were \$40 million, not \$51 million. It was \$51 million, but the projected figures were \$40 million at that time, and Vision for the 90's said this system and the recommendations you see in the report could be implemented for almost half that cost, at \$22 million, of course looking at more outpatient care, community care and family care, the sort of thing that is set up.

You bring up \$9.4 million. My opinion would be that you may be right; it may not be enough. So we have to look at how we are going to fund treatment in Ontario. Right now the minister is waiting on a number of reports from the district health councils in terms of where the funding should go, and that should be done before the end of the year.

**Mr Cordiano:** My concern is that it be a co-ordinated, systematic, wholehearted kind of tying together of all the pieces, and there is not that kind of direction at the present time.

**Mr Mammoliti:** Not yet.

**Mr Cordiano:** Obviously, I am saying that at this time, if we are going to be making recommendations, this committee would want to do that, I would think, and give the minister some guidance in terms of direction. That is what we intend to do with our recommendations hopefully. That is all I have to say.

**The Chair:** Mr O'Connor.

**Mr O'Connor:** Was Mr White on before me?

**Mr White:** I believe I was.

**The Chair:** I did not see your hand. Was that earlier that you put your hand up? I thought that was dealing with the hot issue Mr Cousens had generated.

**Mr White:** Perhaps you can let me determine that, sir.

**The Chair:** If it was not, you are next up.

**Mr White:** First off, if I could point out, it seems to me that this report is addressed to the Minister of Health and the minister responsible for the provincial anti-drug strategy.

**Mr Mammoliti:** Yes, the Minister of Health is responsible for that.

**Mr White:** So it is a government report, not a parliamentary report?

**Mr Mammoliti:** This is a parliamentary assistants' committee report. It now has become the official blueprint for our government in terms of policy, as well as A Vision for the 90's. So you have two reports that are the official blueprint.

**Mr White:** As this is a government report, that is the reason the parliamentary assistants were involved, because the New Democratic Party happened to form the government?

**Mr Mammoliti:** I believe so, but again that is the minister's—

**Mr White:** I would like to draw your attention to recommendation XVIII on page 56. I have run into some issues recently in regard to the Ministry of Health, the Ministry of Community and Social Services and the Ministry of Correctional Services, all of which seem to be involved in funding recovery homes, treatment homes, facilities, however you want to refer to them. The Ministry of Health seems to be lacking a definition of what a recovery home is versus what a treatment home is. I wonder if that could be included with that recommendation. They seem to be funding some homes with no professional services available as treatment homes, and others are looked upon as recovery homes and not within their jurisdiction for funding, even though they have a treatment component and some professional consultation and staffing. That issue does not seem to be addressed in that recommendation.

**Mr Mammoliti:** It was not a really big issue during the tour.

**Mr White:** I would suggest, given the fact that we are talking about major investment of public funds, that those funds should be directed to the organizations that meet the needs. Does that make sense to you?

**Mr Mammoliti:** I see where you are coming from, but I just want to point you to the direction the people in Ontario want to go with this, which is more of a community approach to treatment. They want to get away from that medical—

**Mr White:** Either of those facilities would offer that community approach. What I am concerned about is that the Ministry of Health has no operational definition by which it can append funding, and as a result many very valuable services are dangling in the wind, while others whose services are perhaps more questionable have secure funding. So I would suggest that operational definition might be added, something which the ministry says it is going to undertake but has not done as yet.

The other issue I wanted to bring up was the extent of drug abuse—abuse of prescription medication, over-



dependence on Valium and other prescribed medications—which I believe is seen in many of the drug treatment facilities. I think a very serious problem in our community, probably as serious as the abuse of illicit drugs, is the abuse of prescription medication, some of which is taken illegally and some of which, frankly, is the result of excessive prescriptions by a particular profession in our community. That just does not seem to be addressed.

1040

**Mr Mammoliti:** I would just add that the mandate of the committee was to look at illegal substance abuse and that at first we really did not talk about prescription drugs, but then we got to extensive conversation on prescription drugs. I will refer you to recommendation X on page 9, which talks about special groups and the elderly. It seems that when we talk about prescription drugs and the abuse of these drugs, the elderly and the disabled are being affected the most.

We talked about how doctors need to know a lot more about the effects of drugs they prescribe and have to have a hold on their patients and what they are taking. We talk about the effects of the drugs that are prescribed and how patients are going to different doctors on the same day to get the same drugs. It is happening frequently, and that is because they are addicted, so then it becomes illegal.

Pharmacists were brought into the picture as well, and how they have to start keeping tabs on patients and educate a lot more and be educated in terms of addiction. In terms of early intervention, if there is a client they believe has an addiction problem, they should be getting involved. They should know what is around the community in terms of facilities and counsellors and that sort of thing. We had extensive discussion on that during the tour, so I will just leave it at that in terms of recommendation X, where we say that there are special groups, the elderly being an example.

More on the prescription drugs issue; yes, you are right.

**Mr White:** And is it possible to bring up the other issue, that of the operational definition?

**Mr Mammoliti:** I will certainly bring that to the minister's attention.

**Mr White:** I think that prior to your recommendation occurring, that definition has to be there. Otherwise you are talking about something that is not defined and is insecurely funded.

**Mr Tilson:** I have a question with respect to page 48.

**Mr Mammoliti:** I am listening, Mr Tilson.

**Mr Tilson:** It has to do with the issue of AIDS, the spread of HIV infection and the concern that I am sure surfaced periodically throughout your tour, particularly when you are talking about needles or any other means by which that disease is spread.

One of the concerns I have, and I do not know whether your committee came to any conclusions, is that if an institution of any sort discovers that someone has this disease or any other communicable disease—it could be any communicable disease; I pick on that because I just happened to see that on page 48—the problem is that the freedom of information legislation precludes that institution or anyone

in that institution informing anyone who has come into contact with individuals.

The fear of this disease and the spread of this disease—the concern you appear to be expressing as to what we are going to do with that is, I think, genuine, and I applaud you for that. It may be that it is here and I just have not come across it, but are you making any recommendation that the freedom of information legislation be amended to enable people to be informed, not necessarily of a name of an individual—I understand the protection of an individual's name—but that they may have come into contact with someone who has a communicable disease?

**Mr Mammoliti:** Again, remembering the mandate of the committee, the committee was supposed to listen to Ontarians and report back to the government. In terms of a discussion, I cannot remember that ever coming up in terms of the freedom of information act. We talked about methadone and about needle exchange. Questions around those two were asked frequently. A majority of the people said they were in favour of the needle exchange program, because it helps prevention, and of methadone as well. They work hand in hand.

**Mr Tilson:** I guess the concern I have is that many of these people who have a needle problem, if we can call it that, could be in a specific area. It could be on a reserve, it could be in a downtown area of Toronto, it could be anywhere, where the same needle may be used. The difficulty is that all it takes is for one of those people to have a communicable disease. This issue is real, and I suspect the communicable disease issue is far worse than we know.

I would hope that in your recommendations to the minister for putting forward your government policy, you would consider that issue, that there is a way of protecting an individual's privacy while at the same time informing individuals that they may have come into contact with someone who has a communicable disease and perhaps should see a doctor or be tested to determine whether or not the disease could be spread even further. That is my only observation. I hope you will do that.

**Mr Mammoliti:** I am trying to relate this to communities and how we can do that within communities, with another recommendation in my report being more community-based programs. You may be able to work that in somehow, but we would have to be sensitive in terms of information as well. We do not want to—

**Mr Tilson:** I appreciate that this is the dilemma you are in, but on page 48 it states: "The province must act now to minimize the spread of HIV infection. A comprehensive prevention response must include: information; counselling regarding safer sex and safer drug use; distribution of condoms, sterile water and bleach kits; access to treatment; and needle and syringe exchanges," which you have referred to.

I applaud you for putting this information in this report. My concern, however, is that it needs to go further. You can express that you have a concern to minimize the spread of HIV infection, but unless the privacy legislation is amended, it will be legally impossible for any medical authority to inform people who have come into contact



with HIV or any other communicable disease that they have done so. That is what I would hope you would express to any ministry involved with this issue.

1050

**Mr Mammoliti:** I am not sure if you know what is out on the streets and whether you have had a chance to perhaps go to one of the more affected areas. I know you are from the Orangeville vicinity. I can tell you that I have walked the streets in Toronto, some of the key drug-infested areas, and you do not know where people have been and they are not going to give you information about who they have slept with or shared needles with. There is a problem in terms of that and how you come to grips with it. When you talk about prostitutes who are selling them their body for their habit, they sleep with 10, 15, 20 or 25 people a night. They are not going to tell you who they have been with. We have to keep that in mind as well.

**Mr Tilson:** The last thing I will do is admit to my constituents that I am streetwise, but I will say that is not the issue I am concerned about. I am concerned that information which becomes available at a treatment centre or hospital or any other area where medical treatment is given for drug rehabilitation or any other issue we are talking about in this report, cannot under the freedom of information legislation be passed on to the people that person has come into contact with even though the doctors, nurses or anyone else knows who those people are. They cannot do that, and that fact alone will risk the spread of any form of communicable disease. That is the single issue I was trying to emphasize to you, and I thank you.

**The Chair:** Mr O'Connor, do you have a government supplementary that you will yield to the member for St Catharines-Brock?

**Mr O'Connor:** I will yield and patiently wait.

**Ms Haeck:** Recently there was a lobby group here, as there are many times—the firefighters were here. I think you, Mr Mammoliti, were mixing and mingling with that crowd. I know that what Mr Tilson is suggesting at this time is very high on their list of concerns. I have a concern in that area as well about treating patients in a hospital who are brought in as a result of a car accident. If a firefighter has just provided preliminary medical care, that care giver should have the same sort of protection as someone treating them further down the road at the hospital.

There has to be some sort of continuity of concern dealing with this kind of risk. I think there are at least ways of saying without identifying the individual, at least giving people who have provided that primary care the security and confidence that we are as concerned about them as we are about the patient, and somehow giving them the option and opportunity to look after themselves. I would concur with Mr Tilson in that recommendation.

**The Chair:** If I could interject, it is very much connected with safety in the workplace. I have had doctors, I am sure we all have had, who are told that if they are operating in a hospital, the blood tests that are run cannot search for HIV indications. They are not permitted to do it. We were really putting those people in a predicament where they could die as a result of performing what I would say

is—they certainly do it for a fee, but they also do it in many cases because they are caring individuals. I think that is very broad. We are getting a little far afield though.

**Mr Mammoliti:** I do not want to tell the committee members what they should be recommending but they may want to look at discussion in and around that.

**The Chair:** We would have to tie it in with the issue we are dealing with.

**Ms Haeck:** It is that population that is very much affected.

**The Chair:** Yes, that is true.

**Mr Mammoliti:** I have to get to the House.

**The Chair:** Just before you go, Mr O'Connor had something he wanted to ask, and Mrs MacKinnon did too.

**Mr O'Connor:** I want to thank you for bringing the report and sharing it with us. It would have been extremely difficult to get all these ministers the parliamentary assistants represent together to develop a report like this, so I commend the minister on his foresight in getting his parliamentary assistants to do it for him. It is very commendable.

In taking a look at this, something seems to be lacking, and it seems to be lacking in a lot of things—women. We talk about the trend, on page 50, of women in treatment, and I think it barely touches the issue at all. It does not mention the multiple problems that compound them. It does not talk about the need for child care for women. It does not talk about the fact that in many cases there is dual abuse, whether sexual, physical or other abuse of women. It also does not talk about foetal alcohol syndrome anywhere in this report that I have seen.

**Mr Mammoliti:** It does, and I will refer you to where it does.

**Mr O'Connor:** Okay. I would appreciate that.

**Mr Mammoliti:** Bear with me for a second. I do have to get going, but if you look through here—Bill, do you know where it would be? It actually becomes very specific; 80% to 85% of women who seek treatment have been either sexually or physically abused in their life. Even though it perhaps does not talk about child care being a restriction for addiction treatment, we had discussions around that and we know it is certainly a problem. Hopefully, some of that funding we are going to be providing will go towards child care for women seeking addiction. Mr Chairman, I would love to come back.

**The Chair:** I know you have to go. I would like you to think about this, though, and perhaps indicate to our research people—this report dealt with the question of management focus and treatment focus, and the question our research has asked us to find out about is, how will the treatment system be administered in the future, taking into account the systemic problems identified in the 14 guiding principles, A Vision for the 90's? The task force made reference to a provincial body which will be responsible for treatment co-ordination and funding. What we want to know is what this is. There has to be a central focus as opposed to it being all over the map. I think that has been the difficulty in the past.



**Mr Mammoliti:** All right, I would love to answer the question but I just do not have the time, I have to introduce my bill in two minutes. Bill, are you prepared to answer that?

**Mr McBain:** Sure.

**Mr Mammoliti:** I would ask Bill McBain who has worked side by side with me on this, if you do not mind, Mr Chair, to answer that particular question.

**The Chair:** No, if that—

**Mr Mammoliti:** Then perhaps I can come back and answer any more questions you may have in the future.

**The Chair:** On the record, it will probably be the first time this has ever happened. This is a first, but we would happy to have your answer.

**Mr Mammoliti:** It is an important question though.

**The Chair:** Yes.

**Mr Mammoliti:** I have to run. Mr McBain feels it may be better if we answer it in writing. Is that okay?

**The Chair:** Is that all right, Ray? Okay.

**Mr Mammoliti:** Again, I would love to come back because this is very important, Mr Chairman, and we have to talk about this.

**The Chair:** Okay, thanks very much. He dashed down to the House. You might just make it. Ernie is just about to sit down. No, I am only kidding.

**Mr White:** This is something of a continuation of our earlier discussion with Mr Mammoliti. I would just like to note for the record my particular concern, having visited a number of treatment facilities, and also of course my professional experience in the past. A number of points need to be highlighted to underline Mr O'Connor's concerns with the substance abuse treatment for women in particular.

First, the cross-addiction, particularly with minor tranquillizers and major tranquillizers which are prescribed legally and abused: The issue again was brought up of the overprescription to the elderly, women and the poor. Women are very highly overrepresented in all of those groups. Cross-dependence needs to be emphasized.

Then there is the issue of inaccessibility of treatment centres to women, most of whom in facing those problems may also need child care and other kinds of support services and the fact that, of the treatment centres we visited locally, while many of them emphasized that women have particular issues and concerns and that a significant number—again Mr Mammoliti referred to, I know from own past professional experience, a significant number of women have a totally different dynamic in terms of their treatment needs than men, particularly the issue of having had extensive sexual abuse in their past. This form of self-destruction may not be the only self-destructive activity they are engaged in. However, while the treatment facilities recognize these problems none of them address them.

1100

**Mrs MacKinnon:** There has been so much going on, I almost forgot. The issue was raised in regard to the information—I am too tired to think today—communicable diseases. As one who has sat continuously on this committee and the standing committee on the Legislative Assembly

and worked on the freedom of information, I feel absolutely certain that when you get the freedom of information document you will see we have dealt with the very problem in regard to the information as it pertains to communicable diseases, the sharing of needles, and on and on.

It was brought home very forcefully to us that there has to be protection, not only for the firefighters but the doctors and medical people and all the people who come in contact with all these people. I hope that will coincide with your concerns here. I mean that. I really hope it does because it is crucial.

**Mr Tilson:** Is there legislation coming forward?

**The Chair:** There was a report of the legislation.

**Mrs MacKinnon:** I think it was just yesterday Noel Duignan laid that report on the table. I do not know if it was yesterday or the day before. I have forgotten. Anyway, I hope that by the time we come back in the spring the report will be ready and you will be able to see that it ties in. I would urge you to see that it does, and if it does not, bring it to our attention because that was a massive job. It took a whole year.

**Mr Tilson:** Now that the point has been raised again, a report is fine. You are part of the government and you can make recommendations to the Minister of Labour—I do not know who that is—that an amendment to the legislation be made. I do not think we can wait, quite frankly, to study reports. It so blatantly needs to be done. Whether you are looking at this issue or any of the others—the firemen's issue or anyone else—they are so blatantly needed, we cannot wait to read reports. It should be prepared and brought forward as soon as the House comes back.

**Mrs MacKinnon:** I could not agree more.

**Mr O'Connor:** I did not realize I had given up the floor in the shuffle there. I thank my colleague Mr White for raising all my points for me but he did miss one that I had mentioned and we unfortunately—

**The Chair:** Was he reading off your page?

**Mr O'Connor:** I do not know. Anyway, he missed one of them I had raised, and unfortunately Mr Mammoliti never had an opportunity to talk about it. I do not recall seeing it in here.

He has talked about some of the problems women have but he has not talked about foetal alcohol syndrome. When we take a look at the issue, that should be mentioned as well because I think it has an important after-effect that should be looked at. I hesitate in passing down any recommendations without considering that issue when we talk about issues and concerns of women with this serious problem. I just wanted to make sure we had that on the record.

**The Chair:** Ray has made a note of that.

#### MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS

**The Chair:** We have to deal with another issue. Mr Tilson has a motion, which is attached to your agenda. Do you want to read it into the record, Mr Tilson?



**Mr Tilson:** I move that the committee direct the Provincial Auditor to inquire into and report on certain issues related to:

- (a) the management of the Polaris project;
- (b) the selection of Real/Data Ontario Inc as the government's joint-venture partner in Teranet Land Information Services Inc, the Strategic Alliance Corp, [SAC], created to implement the Polaris project, to market Polaris technology internationally and to develop a competitive land registration information system industry in Ontario;
- (c) the terms and conditions of the partnership agreement between the Ontario government and the Real/Data Ontario Inc signed February 15, 1991;

And further move that as part of his inquiry and report on these matters the auditor:

1. Determine whether the process which resulted in the selection of Real/Data Ontario Inc as partner was conducted in conformity with, and that Real/Data Ontario Inc satisfied, the criteria established by the Ministry of Consumer and Commercial Relations for the selection of a private-sector partner;
2. Provide an opinion as to whether the selection process was politically influenced;
3. Provide a comparative analysis of the bids and proposals submitted to the government by Real/Data Ontario Inc and by Fimtech Consortium;
4. Give an opinion on whether the partnership agreement between the government and Real/Data Ontario establishing the SAC and any other documents which define the financial relationships between and among the partners and the operating procedures of the SAC ensure that the taxpayer will receive value for money in terms of the government's contribution to the partnership and are consistent with the public interest in maintaining public control over the use of and access to public information.

**The Chair:** As Chair, the only concern I have is that I am going to ask the auditor about item 2, "Provide an opinion as to whether the selection process was politically influenced." I believe the auditor can simply present facts. The conclusions drawn from them would be made by us or whoever looks at them. I do not think we can—maybe I am wrong—

**Mr Archer:** I think it would be very unlikely that we would find any evidence that directly suggested that the selection process was politically influenced. We have had similar situations in the past, even some in this year's January report, where, in the absence of sufficient evidence to demonstrate a good business case for what they did, you might be led to the conclusion that the decision was politically influenced. But we could find no direct evidence to that effect. I do not think we could express an opinion in the way it is worded in 2. We might do it in a backhanded way. As I suggested, the absence of sufficient documentation might lead one to conclude that it was politically influenced, but that would be as far as we could go.

**Ms Haeck:** As Mr Tilson knows, I did have some concerns relating to this motion when he provided it as notice some weeks ago, partly, and I am going to reiterate this here, because I know the Minister of Consumer and

Commercial Relations had indicated quite forcefully in the House and in discussions since then that she had sent materials over. She has set up appointments with various people in the ministry to discuss this and make sure that Mr Tilson has all of the information that could conceivably be provided to him without violating the Freedom of Information and Protection of Privacy Act.

Also, in discussing some of these things with the minister, I have been able to determine—I am not sure if the auditor made this report in his comments earlier; the clerk and I were having a discussion about something that is going to come up later—I understand that in fact this particular project has been looked at about four different times in very recent months. I believe you are looking at this particular area as part of your normal auditing process anyway.

**Mr Archer:** I ask Jim Otterman to respond to that.

1110

**Mr Otterman:** Actually I missed that.

**Ms Haeck:** I will repeat my question. Because I knew this was coming up, I did make some inquiries as to what was happening with this particular situation. I was informed that it is going to be part of the normal auditing process within the government, that you will be looking at this in a short time, if you have not already. I believe there have been some audits done prior to the decision having been made, relating to things like the business case.

**Mr Otterman:** To the best of my knowledge, we did do some preliminary review because we are also auditing the land registry operation itself. Since this item had been raised, as part of our audit which is in process for this current year of the land registry operation, we reviewed this part with some of the ministry people just so we could get up to speed as to what it was about and where it is at. At this point we do not plan to make that a component of the land registry audit. I can answer questions as to why.

**Ms Haeck:** Sure. You have the floor.

**Mr Otterman:** Okay. We felt it would be best to audit the agreement part of it after it has a year or more of operation, because at this point you are simply looking at projections and what is planned or what might happen. So we feel the actual joint-venture agreement would probably be best audited in about two years' time.

**Ms Haeck:** Did the ministry officials tell you, as they have passed on to me, that there have been some investigations of Real/Data, the consortium and looking at the business case this group had made and how the decision was put together?

**Mr Otterman:** I do not believe we have looked at any part of the business case at this point. I think we also found out that an OPP investigation was in process. We have not had an update as to where exactly that stands. I think we were led to believe that there might not be any charges laid. I am not sure if the OPP is on the record as saying that or if it is public at this point.

**Ms Haeck:** I am not sure where the OPP comes in here.

**Mr Tilson:** That is because they are investigating it.

**Ms Haeck:** I see, they are investigating it. So it is not related to this particular motion.



**Mr Tilson:** It certainly is. The auditor has no jurisdiction over police investigations, but it is certainly a factor in the process. I assume that if this motion carries, the Provincial Auditor would take that into consideration.

**Mr White:** Is the motion properly on the floor as yet, Mr Chair?

**The Chair:** Yes. It was moved by Mr Tilson, I presume. I do not know whether you have eliminated 2 or not.

**Mr Tilson:** Mr Chair, just for the record, 2 is not the main thrust of the motion. If it is disturbing to some members, I would be pleased to remove it.

**The Chair:** I do not think it is disturbing anybody. I guess I, as Chairman, put my big foot in it and said that I did not think it was something the—

**Mr Tilson:** Now that the auditor has made his comments with respect to that section, I concur that if there is any difficulty in other areas, that would come forward. It has been raised by you and the auditor has commented that it is unlikely that he would be making such a finding, although it is possible if I understand his words, that there could be comments made in the fringes.

**The Chair:** Or if there was a tape.

**Mr Tilson:** In light of that, I would be pleased to delete paragraph 2 from this motion.

**Mr White:** Is that an amendment?

**The Chair:** I do not think it has to be by amendment. We have not passed the motion yet, so he can delete it prior to—

**Mr White:** No, amendments have to be voted on before the motion is voted on. The motion was properly on the floor, as you have already ruled.

**Mr Tilson:** I do not care. We will leave it on then.

**The Chair:** Okay, the clerk indicates that is what we would do. We would vote that down. We would vote against it and then we would vote for the balance of the resolution, if that is the wish of the committee.

**Mr Cousens:** I am concerned with the response Jim has given, in that if we look at it a year from now, we are looking at other elements to the case. I think the issue raised by Mr Tilson's motion really has to do with the process that led up till now. In the future there may well be other questions raised that have to do with the implementation of the project, the cost benefits and other matters.

I just implore this committee. If there is a chance we can allow this to be reviewed, it means the auditor has access to information that is not otherwise available to us under the freedom of information act. It means the auditor is able to have his sense as to whether the situation is clean or not. I say "clean or not." That is passing a judgement before it is done, but at least to have done the kind of objective, independent review of the case. After he has finished that, to me the issue is over. If it turns out that the auditor comes back with a clear statement saying, "Not a problem," then to me it is finished. That really becomes part and parcel of what we can do as a public accounts committee.

If there is a concern, as there is in the mind of Mr Tilson and myself, that there is some smoke here, which

means there is a fire, let's get rid of it. There was a program on The 5th Estate, there are other things being said outside of this House on the Polaris project and this. If we are able to clear it up through this kind of approach where we just say, "Auditor, please look at it," I would be quite prepared, if there are other issues within the motion, and if Mr Tilson would be prepared to modify the motion, to allow any concerns that others have. It just means that the auditor would complete a review of this Polaris project. That would be the important part of it to me.

If the motion is too technical and detailed, and we can come up with something that accommodates the interests of others so that at least someone's concerns are addressed, I think that would be a wholesome approach.

**Mr Johnson:** I think the government, to this point in time, has done some auditing of the circumstances surrounding this circumstance if that makes sense.

**Mr Cousens:** Sounding like a Tory.

**Mr Johnson:** Hey, negative, no, that is unparliamentary language. As a member of the government in this committee, I have to say I will not support Mr Tilson's motion. I think the auditor, whoever that may be at the time, will get around to auditing this project fully and will at that time identify and audit the concerns—I am sure at least as much as can be done—Mr Tilson has. I think that there will be more substance to audit at some point later than there is today. In my opinion, it would be good. In my opinion, it would be wise to wait until a time in the future when there will be more information which the auditor and his group can look into.

**The Chair:** I guess I am realistic enough, Mr Johnson, to not expect this committee to be totally non-partisan, but certainly our tradition in our standing orders says we are. I do not even know where that policy goes back to. It may go back to the former Liberal government, as far as I know. I think we as public accounts have a responsibility to the taxpayers of the province of Ontario. If there is a bee under the rug, we have to find the bee. That is all I would say. Anyway, Mr White and then Mr Tilson and then Mr O'Connor.

1120

**Mr White:** I just want to ask a question if I could of Mr Archer and then enter in the debate of the motion. First off, Mr Archer, is it not your practice as Provincial Auditor to inquire into the workings not only of the provincial government but also of many transfer payment agencies such as emerged from your last report?

**Mr Archer:** Yes, we have under our act an inspection audit clause which allows us to make certain types of inquiries with recipients of transfer payments.

**Mr White:** I wanted to point out in regard to this particular motion that this contract and this venture were something which our government was circumspect about because they had been initiated by the previous government. Prior to our signing any notice of agreement we of course wanted to make sure of a very thorough audit, that there was no political influence, that there was no waste of the taxpayers' dollar. I believe that in the course of that very careful and circumspect action there were no fewer than two audits of the financial model—one private, one



public—one legal review and of course extreme diligence in the use of an external firm.

As a consequence the government has confidence that this action was appropriately undertaken. We are talking of a joint private-public venture, a very significant one, which will update our capabilities and our services into the 21st century. People are aware and many lawyers are aware—Mr Tilson I am sure has colleagues in the legal profession—of the tremendous waiting period that is involved, the tremendous inefficiency of the present system. I believe that this—

**The Chair:** Not any more; there is nothing going on.

**Mr White:** Even so, Mr Callahan, the legal fraternity whom I am in contact with tell me that the process is still very slow, even in a downturn. Of course there have been significant housing starts in recent months. The issue here is the tremendous increase in efficiencies that this project will be generating. I think it is highly significant that we are moving into the 21st century using available technology and not that of the 19th century which has been traditional within those offices. I would suggest, given the importance, the efficiencies involved and the careful audit that has already been given to this issue, and of course the very simple fact that as with every other government venture it will be subject to the very careful and painstaking scrutiny of the Provincial Auditor especially at a time of extreme tightness in terms of financial restraint, that this motion should be rejected.

**Mr Tilson:** I must confess, just in response to the Chairman's remarks, I do have great respect for this committee. I have very rarely seen partisan remarks, with the exception of friendly heckles, as opposed to many of the other committees that I have gone on. I have not been on all of them but I have been on a number of them as a sub. The partisan comments do not seem to flow as much in this particular committee because I think all three parties have a genuine interest in improving the system, which speaks well for this committee.

I am trying to temper my remarks a little differently than perhaps I have in the House in my questions of the minister. At least, I am trying. I will continue to try. I will say that it is a genuine concern I have. Certainly you are quite right. I do not think there is anyone who opposes the improvement of the registry system, whether it be land titles or registry. No one opposes that. I can vividly remember. When the amendments to the Registry Act were brought forward in 1983 or 1984, the legal profession almost unanimously supported it. There were some criticisms, as there are for any new starting venture that comes forward, and some of those have been referred to, but the general context was supported.

I still support the issue of the computerization of the registry system. The concern I put forward is, should this system be run by a service to the public? Should the government get out of that and hand that over to a private company whose identity we do not know? I think the people of Ontario are entitled to know who the government of Ontario is doing business with. That is perhaps the main issue.

But the other issue is with respect to waiting for the auditor to look on reports with respect to the registry office. There are a number of issues that are mentioned in this motion. Mr Cousens has stated it quite clearly. If someone does not like the wording of a particular section, I would be pleased to consider amending it. Or if you think it is too technical, I will try, with someone's suggestion, to modify that. The question is to the whole operation of the Polaris project. Is it proper that it should be in the hands of private enterprise? Is it efficient? Should the auditor be looking at any studies that have been put forward? The difficulty is getting access to information, but I have been led to believe there was not a feasibility study made before the tendering process went out. I have not been corrected on that.

You have given me two pieces of information that I did not know of: that there were two audits and one legal review. It may well be that the auditor should look at that. It may well be it will shorten his or her—whoever the new auditor is going to be—job. That is encouraging. That is the first time that has been brought to my attention. I believe that information should be made public because it may relieve a lot of concerns: how the system operates, the whole issue of the tendering process. I put a question in Orders and Notices quite recently for your consideration having to do with how Real/Data was chosen.

Again I will refrain from making statements that I made in the House about my concern on that selection process as to the capabilities of Real/Data as opposed to the other candidate, which I think was Fimtech.

There have been reports that this whole process is being investigated by the Ontario Provincial Police, very vague generalities. The government is spending a tremendous amount of money in developing this program. If there are some irregularities or if the auditor were to feel that there were some irregularities, it may well be, notwithstanding whether this is or is not a good idea, that everything should come to a standstill until we are satisfied that there is not something illegal going on. The very fact that it has been referred to us: Should everything come to a stop until we are satisfied that there are no illegal operations? Certainly that innuendo, that cloud, does hang over the whole Teranet-Real/Data subject.

1130

That is my response. To the two members who have indicated they would not be supporting it, if there are some sections they would wish modified, I would consider that. But that is the general thrust of it. What we are trying to do is make sure that we are developing, to use your word, a very significant change in the system, and that it is being done as efficiently as possible, that it is being done properly and it was set up properly. There have been suggestions that, with all due respect to the minister—and I am not going to say which minister, whether it was a Liberal minister or an NDP minister—remain unanswered. It may well be that there are some difficulties.

I think this is probably the only committee that can work on those issues in a non-partisan way.



**The Chair:** I wonder if we could continue the debate on this motion at our next meeting on December 19, the reason being that we have an issue that—

**Ms Haeck:** I think we could probably take a vote.

**The Chair:** I do not want to shorten the arguments or debate for anybody. The reason I am shortening it here, or trying to, is that some members have to leave at ten to twelve. We have to deal with the issue of the auditor. Ms Haeck, you told us you had some information on this, because the clerk then has to prepare the appropriate order in the House.

**Mr O'Connor:** How many more speakers do you have?

**The Chair:** On what?

**Ms Haeck:** On this issue.

**Mr O'Connor:** The motion.

**The Chair:** I do not know.

**Mr O'Connor:** I know I asked to be put on the list. Maybe I was the last one and we can proceed.

**The Chair:** Yes, you are, Mr O'Connor. You are on the list. I am sorry.

**Mr O'Connor:** Perhaps I can speak to it and we can put it to the question then.

**The Chair:** If that is all there is going to be, fine. As I say, the only reason I interrupted was to deal with this question of the auditor because some members have to leave at ten to twelve. I think it is an issue that should be determined by the entire committee because we have to get on with it. I am flexible. I am not trying to delay this. I am just saying we have another matter we have to deal with. What is the wish of the committee? I am going to require unanimous consent to do this.

**Mr Cousens:** Mr Chairman, I have been on this thing and it appears to me that there is a reluctance on the part of the government members to support the bill as it stands right now or to support the motion.

**Mr White:** We support the bill.

**Mr Cousens:** I am sorry, the motion. The other situation that exists this morning is that there is not a full complement of Liberal members.

**The Chair:** You had to get that in, didn't you?

**Mr Cousens:** The only dissent that—

**Mr White:** With all due respect, we do have a quorum—

**Mr Cousens:** There are other ways in which I can handle it, Drummond. If you want to play the other game—I am glad you winked. If we could give some time to this at the next meeting, then we would have a chance to consider some of the implications of it. I have to see if there is a way we can have a little private chat afterwards. If there are sections of the motion Mr Tilson has before the committee that are of special concern, then—I am going to have him around my neck on this one—I would like to see us find some way in which the auditor can look at this thing and have a report back. If we are saying we cannot do that, then that really causes me grave problems with this committee process we are into. Maybe what we need is a little bit of extra time to think it through.

**Mr Hayes:** You seem to have difficulty keeping the floor, don't you, Larry?

**Mr O'Connor:** I seem to have difficulty in getting the floor today.

**The Chair:** In fairness, I gave it to Mr Cousens because we were debating my suggestion that we delay it. You actually have a debate on the motion, that is why—

**Mr O'Connor:** Yes. I do not have an awful lot to add to this, but I think it is something substantive. Following that I was going to call the question on it. One thing that is good about this committee is that we have been quite non-partisan about it. Even some of the concerns that Mr Tilson has raised, frankly I do not expect to come from him when we are talking about some partnership with private enterprise. I would expect the opposite.

In realistic terms this was a process that had started in 1988, had gone through, the previous government had made a decision, the now government took a look at that decision, reviewed it and has proceeded. I think for this committee to operate in as non-partisan a forum as we can—we are the public accounts committee and we do have a mandate to take a look at what the Provincial Auditor suggests we look at through his report, and we should take that into serious consideration. I think some of the areas he points out for us to take a look at, as we will be doing, are indeed very important points that we should be looking at.

One of the issues you have raised was a reluctance of the minister to give you some information. I believe, sitting in the Legislature, I have heard her offer meetings so that she can talk and dialogue with you on several occasions.

**Mr Tilson:** They were cancelled.

**Ms Haeck:** He did not show.

**Mr O'Connor:** Maybe there is something we do not know about there. I think an offer like that should be taken up immediately by the member opposite—

**Mr Tilson:** I did and they were cancelled.

**Ms Haeck:** You cancelled them.

**Mr O'Connor:** Excuse me, I have the floor.

**Ms Haeck:** Sorry.

**Mr O'Connor:** —and be flexible enough to allow the opportunity, because we all live in an extremely busy time. The ministers, I am sure, must have an even busier time than backbenchers or opposition members have. In all honesty, there should be some flexibility from both sides.

The real role of the Provincial Auditor here now needs to be whether or not the system, when it is in place, is going to get value for money. That is what our role is, I believe, as a committee: to take a look at whether there is value for money once it is in process. To question the process that the former government went through in setting it up I do not think is appropriate. I do not think we need to question that. There has been a review by the present government that said the process was a fair and open and honest process. When it comes time for us as a new government to applaud the former government's lead in some things, I do not think we should question it. I think we should agree with it and carry on.



There has been a very full discussion on this. I do not think we need to carry on and have another meeting on this. I would just like to call the question on this.

**Mr White:** The question has been put.

**Mr Cousens:** This is not debatable?

**The Chair:** It is not debatable, however—

**Ms Haeck:** No, Mr Chair, I think this time we are going to stick to our guns. It is not debatable.

**The Chair:** All right. Shall the question be called?

**Mr Tilson:** Mr Chairman, I would like to preface this question—

**Mr Cousens:** Can we ask for a recess?

**The Chair:** You are entitled to a 20-minute recess. It is a technical impossibility that anything could—no, you are entitled to it, I guess. All right. It is unfortunate, though, because, as I say, the most important issue, I think, is the question of the appointment of the auditor, and we have missed it.

**Mr White:** The obvious disrespect for the Provincial Auditor—

**Interjection:** That is not true at all.

**The Chair:** Okay, you are asking for a 20-minute recess. I have no alternative but to grant that.

**Mr Tilson:** Why can you not put it on for next week?

**Mr Cousens:** Are you not willing to put it off?

Interjections.

**Mr Cousens:** I am not able to talk to it. By putting the question right now, you have precluded my involvement in the debate on this.

**Ms Haeck:** But you have spoken to it.

**Mr Tilson:** He wants to speak to the remarks that were made subsequent to his remarks. If you put it off till next week, no problem.

**Mr O'Connor:** I think in order to keep this non-partisan committee as non-partisan as we possibly can, I will

withdraw my call on the question and hope we can keep this as non-partisan as we can and continue and defer the question being called until further debate at our next meeting. Hopefully we can conclude within a reasonable length of time at our next meeting.

**The Chair:** Do we have unanimous consent that this be the case?

**Mr Tilson:** Agreed.

**Mr Cousens:** You do not have unanimous consent.

**The Chair:** Not unanimous consent?

**Ms Haeck:** No. I do not agree with it. I will be very blunt about it. Mr Tilson has indicated that somehow the meetings he called with the minister were cancelled. I was informed in fact that he was the one who cancelled those meetings. So he has had a lot of opportunity outside this committee to get information that he needed to put it—

**The Chair:** We are returning—

**Ms Haeck:** It is getting partisan, that is true.

**The Chair:** Order.

**Ms Haeck:** However, I truly feel that it is not—

**The Chair:** Order.

**Mr Tilson:** I could talk to that subject for half an hour.

**The Chair:** Order. Ms Haeck, we are returning to the debate on the motion.

**Mr White:** Mr Chair, on a point of order: By not seeing unanimous agreement to withdraw the motion, the motion stands, the question to be put.

**Ms Haeck:** Then we have a 20-minute recess.

**The Chair:** Then we have a 20-minute recess.

**Mr White:** So we do not resume until 10 o'clock next week, given the lateness of the hour.

**The Chair:** Presumably, yes. All right, we stand recessed until next week. Thank you.

The committee adjourned at 1141.

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## STANDING COMMITTEE ON PUBLIC ACCOUNTS

**Chair:** Callahan, Robert V. (Brampton South L)

**Vice-Chair:** Cordiano, Joseph (Lawrence L)

Bradley, James J. (St. Catharines L)

Conway, Sean G. (Renfrew North L)

Cousens, W. Donald (Markham PC)

Haeck, Christel (St. Catharines-Brock NDP)

Hayes, Pat (Essex-Kent NDP)

Johnson, Paul R. (Prince Edward-Lennox-South Hastings NDP)

MacKinnon, Ellen (Lambton NDP)

O'Connor, Larry (Durham-York NDP)

Tilson, David (Dufferin-Peel PC)

White, Drummond (Durham Centre NDP)

**Substitution:** Poirier, Jean (Prescott and Russell L) for Mr Cordiano

**Clerk:** Manikel, Tannis

**Staff:** McLellan, Ray, Research Officer, Legislative Research Service





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## Legislative Assembly of Ontario

First Session, 35th Parliament

## Official Report of Debates (Hansard)

Thursday 19 December 1991

### Standing committee on public accounts

Subcommittee report

## Assemblée législative de l'Ontario

Première session, 35<sup>e</sup> législature

## Journal des débats (Hansard)

Le jeudi 19 décembre 1991

### Comité permanent des comptes publics

Rapport de sous-comité



Chair: Robert V. Callahan  
Clerk: Tannis Manikel

Président : Robert V. Callahan  
Greffière : Tannis Manikel

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Thursday 19 December 1991

The committee met at 1011 in room 228.

### SUBCOMMITTEE REPORT

**Mr White:** Mr Chair, I wonder if we might deal with the fact that it is 10:10. It should be important for people to show up for meetings.

**The Chair:** Whom are you referring to, me or the absence of members of the opposition?

**Mr White:** Mr Cousens is here.

**The Chair:** To whom are you referring, Mr White?

**Mr White:** I am referring to the blank bank.

**The Chair:** It is certainly apparent, but I do not think we are getting off on the right foot in terms of what the purpose of this committee is. Thank you for your observation.

**Mr Cousens:** I suggest we have a quorum.

**The Chair:** We do have a quorum.

**Mr O'Connor:** Are you hiding behind those glasses?

**The Chair:** Sorry about that. I had better put on the right ones. I am trying to create my mobster image, you see.

**Mrs MacKinnon:** You need a hat with the rim down.

**The Chair:** Is that right? I never wear a hat.

You have a copy of the report of the subcommittee attached to the agenda.

**Ms Haeck:** We have the report of the subcommittee. Obviously, as a subcommittee, we have had some discussion about all of this, but we did have a piece of business as a way of segueing into the subcommittee report and those discussions. I think we really have to deal with what happened last week, deal with the fact that there was a motion on the floor, make some effort to deal with that.

**The Chair:** That is right.

**Mr Cousens:** The report of the subcommittee has the support of our caucus. If we are able to proceed with the recommendation that the motion that was on the floor be tabled—

**Mr White:** On a point of order, Mr Chair: We had a vote at the time of adjournment that the first order of business would be the vote, not the report of the subcommittee. If we are trying some way of avoiding that vote—

**Mr Cousens:** That is what I am trying to do. If it was unanimous that we discuss it, I would be prepared that we have a unanimous vote at this point to—in any democratic system, if we come into a meeting and it is unanimous that we look at something else as the first item—

**Ms Haeck:** Can we have a quick caucus before we get into this?

**The Chair:** Sure. Five minutes, 10 minutes?

**Ms Haeck:** For 10 minutes.

**The Chair:** Okay, we will recess for 10 minutes.

The committee recessed at 1014.

1020

**The Chair:** We are back in session.

**Ms Haeck:** At this point I think the best route to go would be to defer the vote on the motion put forward by Mr Tilson and move forward with the report of the subcommittee.

**The Chair:** Is that the agreement of everyone?

Agreed to.

**The Chair:** All right. You had indicated that on the proposed agenda there is the motion by Mr Tilson. Do you want to deal with that?

**Mr Cousens:** It will come after the next stage we talked about.

**The Chair:** Okay, so that is deferred and the subcommittee report is accepted.

**Mr Cousens:** I move the subcommittee recommendations.

**The Chair:** Those in favour?

**Mr Cousens:** I will read it in:

"That the Minister of Consumer and Commercial relations, or her designated officials, be invited to make a presentation to the committee on the above-mentioned matters at the earliest possible opportunity; and further, that the committee defer consideration of the motion of Mr Tilson until following the presentation by the minister or ministry."

The only thing I would remove is that I do not know whether we even want to entertain the motion by Mr Tilson, because if the Minister of Consumer and Commercial Relations—he may well decide not to have that motion. He has the opportunity to give notice, and at a future time he can bring his motion forward. I would just go right up to "at the earliest possible opportunity" and remove that there is a motion. If he wants to make a motion, he can then do so at a future time.

**The Chair:** I think the reason Christel deferred it was perhaps because of his absence for personal reasons. I think that is appropriate.

**Ms Haeck:** I cannot speak for him. I would feel uncomfortable removing it without his knowledge.

**Mr Cousens:** Fine, but may I just suggest then that, in order to show the spirit of what we are trying to do, we do not need to schedule a time for the entertainment of that motion. I have a sense that if he has a motion—

**The Chair:** He can just bring it back in.

**Mr Cousens:** —he can bring it back in.

**The Chair:** We will remove that from the proposed agenda for 4 o'clock on Monday.

**Mr Cousens:** Yes, that would satisfy me.



**Mr White:** Are you congruent with that, removing that last phrase?

**The Chair:** Yes. Well, no.

**Mr Cousens:** We will leave the phrase in, but we will not schedule it.

**The Chair:** He is leaving the phrase in, but it will not be scheduled in the agenda. Agreed?

Agreed to.

**The Chair:** You have a copy of the agenda for the winter recess before you. Subject to that one change, does that appear to be acceptable to the committee, or is there anything you would like to add or subtract? The 2 o'clock meeting on the Monday would be the minister or her designate coming forward.

**Ms Haeck:** Do you have any dates? There are no possible dates here.

**The Chair:** We do not know yet.

**Ms Haeck:** Nothing has been haggled out?

**The Chair:** No.

**Clerk of the Committee:** I have not heard anything from the whips and I do not believe any of the other committees, except the standing committee on resources development, have anything in the way of dates. I asked yesterday if there was a draft schedule to be made and I was told no.

**Mrs MacKinnon:** You are being treated the same as everybody else?

**Clerk of the Committee:** Yes.

**Mrs MacKinnon:** They do not co-operate for any committee, truthfully.

**The Chair:** I think what they try to do is fit them in within the time frame and the number of facilities available. We should find out. Is there something burning in here?

**Mrs MacKinnon:** Maybe you are thinking.

**The Chair:** That could be. No, that is an honest comment. It might be wood burning. I have been smelling it all day. It really smells like there is something burning. Is it the radiator? I just want us all to get out of here before anything tragic happens, if it is a fire.

**Mr White:** I move acceptance of the agenda.

**The Chair:** Okay, all right. Acceptance of the agenda has been moved. Those in favour?

Motion agreed to.

**The Chair:** That seems to do it.

I want to thank Douglas Archer, on behalf of the committee, for his kind thank you for the small thing we did for him in recognition of his yeoman's years of service.

I would like to wish everybody a Merry Christmas—although these days you are not allowed to say that any more, I guess, from what I read in the Globe and Mail this morning—and a Happy New Year. We will see you in 1992, if not sooner.

We stand adjourned until the call of the Chair.

The committee adjourned at 1025.

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White, Drummond (Durham Centre NDP)

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## Assemblée législative de l'Ontario

Première intersession, 35<sup>e</sup> législature

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Monday 17 February 1992

# Journal des débats (Hansard)

Le lundi 17 février 1992

**Standing committee on  
public accounts**

Ministry of Consumer and  
Commercial Relations

**Comité permanent  
des comptes publics**

Ministère de la Consommation  
et du Commerce



Chair: Robert V. Callahan  
Clerk: Tannis Manikel

Président : Robert V. Callahan  
Greffière : Tannis Manikel

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Monday 17 February 1992

The committee met at 1009 in room 238.

### MINISTRY OF CONSUMER AND COMMERCIAL RELATIONS

**The Chair:** We now appear to have a quorum. Recognizing that the minister's time is valuable, we will proceed. Welcome to the standing committee on public accounts, Minister. My agenda does not quite say what will happen. Do you have an opening statement?

### INQUIRY RE LAND REGISTRATION INFORMATION SYSTEM

**Hon Ms Churley:** Yes, I do. With me is Art Daniels, who is assistant deputy minister responsible for registration and who was involved in the early process of establishing Polaris/Teranet. I am here once again to answer questions as best I can. We have sat and discussed this issue at this committee before, and also in the Legislature. I am hoping that today we can further clarify and perhaps put to rest some of the misunderstandings and some scepticism about this whole process. I am hoping today that we are able to deal with that. I am just quite happy to try to answer questions.

**The Chair:** Who is first at bat here? Mr Tilson, it is your motion.

**Hon Ms Churley:** Can I ask a question before we get started? The motion has already been put before the committee. Today, will it just be voted on? I am not quite sure where we are.

**The Chair:** It was never voted on. It was deferred, I think, and we asked to have information on it. Before David asks his question, for the benefit of those members who are not permanent members on this committee, and there are a few, perhaps you could explain to the committee what this is all about. It sounds like neat words and all the rest of it. It sounds like lawyer mumbo-jumbo, in fact. Maybe you can tell us what it is, how it got started and so on.

**Hon Ms Churley:** I will ask Art to help me with that as well. But basically Teranet is the public-private corporation formed in equal partnership between the government and Real/Data Ontario, which is the private company. It was developed to implement the Polaris technology. Polaris stands for the province of Ontario land registration information system. This refers to the automation of all land registration records in Ontario and the conversion of all titles to the land titles system.

Just briefly, let me tell you why we need this kind of strategic alliance. There are approximately four million properties in Ontario. That involves, on the average, storage of about 50 million records, which is an awful lot of records. This would include mortgages, discharge, leases, and anything that directly affects land registration. Over

the past 10 years Ontario has seen, especially in the boom times, about a 64% increase in real property transactions.

**The Chair:** That has stopped, by the way.

**Hon Ms Churley:** Yes, it has slowed down right now, but all those records are still there. Obviously this has created really long lineups and greater competition for access to the documents, increased staff and user overcrowding. It has of course increased demand for record storage. It might be useful for Art to describe very briefly the various components of the Teranet consortium, if that is okay with you, Mr Chair.

**Mr Daniels:** As the minister said, the process of creating a partnership to implement automated land registration began in the 1970s and continued with approvals through the automated system back in 1987. The government approved an expenditure of well over \$112 million to implement the Polaris system, which would take 15 years. Realizing the length of time and the amount of government commitment, the ministry was approached by people involved in land registration—survey companies, universities—proposing that there might be a better way to do this through a partnership model. This came to pass.

We began to examine this partnership model in 1988 and the government then proceeded to recognize the idea of a partnership between government and industry to implement its Polaris system. It then went out into the public domain with a request for interest to see if there were any companies interested in such a proposal. Seventy-two organizations responded to the request for information, indicating a strong interest in a partnership concept. We went out with a formal proposal which was published in the Report on Business, the Financial Post, the Financial Times, so that all across Canada, companies could make a proposal on a partnership with government.

As a result of that proposal, many of those 72 companies realized that some of them were not large enough to handle an undertaking of this capacity. By the time the proposals came in, two large consortia had formed up to make a bid on the partnership. One of them was called Fimtech and the other was Real/Data Ontario. Each of them was composed of major partnerships.

Real/Data Ontario, for instance: Its managing partners were made up of EDS—Electronic Data Services—of Canada Ltd., a large systems distributor which is spun off from General Motors; SHL System House Ltd, a large systems integrator; Landata International Services Inc., which is a land information system made up of large surveying and engineering firms in Ontario such as J D Barnes, Marshall Macklin Monaghan Ltd, Yates & Yates Ltd etc. In fact, that is made up of 25 different survey companies. Another partner is Intergraph Canada Ltd, a large hardware company, which probably is the world leader in hardware related to geomatics, or geographic mapping systems.



The other managing partner is Peat Marwick Stevenson & Kellogg and they would bring to the consortium management skills, international marketing etc. These were the people that made up the R/DO partnership.

The Fimtech partnership was also made up of a large consortium of companies: SNC Group Inc, a large worldwide engineering company based in Canada; the Royal Bank of Canada; Sharwood and Co, a merchant banker. So you can see we had two large consortia.

They both bid initially on the partnership model. At that point, both parties failed to meet the government's mandatory requirements of what we were looking for in a partner. So both bids at that point failed. But we and the government felt that there was something there in terms of a partnership that could be achieved from this. At this point the government went back to the two consortia with an outline of what it would take to make a ideal partnership with government. Up to this point the two consortia were bidding in a sense on the product but were not certain what the government was looking for.

On this round we made sure we laid out the government's requirements. These requirements included such things as equal partnership, 50-50, a major investment of finance and equity, and a short time frame to turn this around—the government had planned to do it in 15 years; it was hoped that these groups could bring it in in a shorter period of time. The government wanted, and must retain, ownership of all the information—that the government information system would be there. The government wanted to ensure its own staff who were involved in this were guaranteed employment and that they would have an opportunity to work for the new corporation. So these things were all part of the government's list that went into the consortium.

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Against that list the two consortia made submissions, and these are called letters of intent. The government was then able to look at those two letters of intent to see which ones more closely aligned to its request of what it wanted in a partnership. The Real/Data corporation lined up ideally in each of the government's requests. The other consortium fell short in areas of equal partnership, equal membership on the board, and a longer time frame to complete the project. These things were very important to us, and these things were not met by the one consortium but were met by the other consortium.

All throughout this process the government had constant reviews and checks that it was making the right partner selection. They were in the first process of the request for proposal because both consortia were made up of a large number of Ontario and Canadian firms. We engaged a consulting firm and a group of geomatics experts from eastern Canada, the University of New Brunswick and the Council of Maritime Premiers, people who were involved already in the land information system in the east. That gave us a very neutral look at it from consulting services from eastern Canada.

We also engaged Price Waterhouse corporation in terms of the mergers and acquisitions to look at what would be a good product for the province. We also en-

gaged a large legal firm to make sure that the legal aspects of mergers and acquisitions we were involved in would be involved. Also, at the end of that process, the government asked us to engage one more time—the government in 1989 engaged a large audit firm to look at the business financial case. So it was reviewed in terms of legal services, financial, business and general geomatics, how it would work technically. So that was a four-phase review at that point.

At the same time there was an internal government committee of deputy ministers of all the ministries that would be involved in the Polaris project. This would be Natural Resources, Transportation, Revenue etc. There was also a working committee of ADMs and directors who are involved in geomatics work in Ontario: each of these reviewing the two proposals and partnerships. So you had an internal look at it, an external review, a very careful review by the Management Board and the treasury staff etc.

Then the government changed, and that review was absolutely repeated again by a whole different series of companies, external and internal. I think this is very important because it was approved at one point by a massive review and another long-term look at the business case, the legal aspects; another audit firm looked at the financial aspects; again the treasury staff and Management Board staff reviewed it. So you have quite an extensive review of the process.

Then we end up in February 1991 entering into a partnership with Real/Data to create a new organization called Teranet, and that is—when you look at the Latin—land networks. We are talking about automated systems for land information. The partnership with Teranet is made up of the government of Ontario, represented by its members on the board, appointed by the province. The board membership is set up this way: there are four province-of-Ontario nominations, there are four Real/Data Ontario nominations, and there are five members to be agreed on, appointed by both parties, to bring the board total to 13. That is the first of the equal partnerships.

As I said earlier, the financial involvement of the government partnership in Teranet is \$29 million. Its original investment was to be \$112 million, so we are looking at a substantial savings of over \$80 million to the government of Ontario by entering into a partnership. The funds for that \$80 million in these times I think can be well used and the government can achieve its automated system in partnership with its private partners.

I think the selection process was very detailed. The development of the program is very detailed, very labour-intensive and very carefully considered, both externally and internally, at all levels of government and by two different governments.

**Hon Ms Churley:** Mr Chair, I wonder if I could introduce—since we started, two other people have arrived.

**The Chair:** Let's preserve their names for posterity.

**Hon Ms Churley:** Okay, let's do that. Beside me is Sue Corke. Sue is the director of the strategic alliance liaison office, which was set up specifically to monitor the performance of this contract. Beside her is Gillian Gillespie,



who is also at the strategic alliance office. They have—since when was the office set up?

**Mr Daniels:** February 1991.

**Hon Ms Churley:** February 1991, so they do monitor the contract.

**The Chair:** I do not see any hands. This could be the shortest committee meeting in history. Mr Tilson, and then I saw a hand over here. Who had his hand up? Paul Johnson.

**Mr Tilson:** My question is to Mr Daniels or the minister. One of the questions that pops up periodically, which is why I wanted this committee to review the subject, is the whole question of government tendering. Normally in my limited experience here, but certainly in local politics, there would be details distributed of what is going to go on. Absolutely anyone could bid. Tenders would be sealed, the tenders would be opened publicly and the details of the winning bid and what that company was would be made public. The process that you have described does not comply with that procedure. It does not match that procedure.

I wonder if you could reiterate again the process. I am not talking about how you sent out to X number of firms. I did not make a note of how many firms that you sent out initially. I am talking about: Eventually there is the decision for this process to choose a company to enter into a partnership with the province of Ontario. I would like you to elaborate to a large extent the whole process of tendering.

**The Chair:** Could I just add something? It was my understanding that an invitation was placed in newspapers as well. Is that right?

**Mr Daniels:** That is correct.

**Hon Ms Churley:** Three.

**Mr Tilson:** Mr Chair, I understand that there was a process as to the interest. You indicated there were about 70 people who responded.

**Mr Daniels:** Yes.

**Mr Tilson:** I am talking about: How did you get down between the debate between Fimtech and Teranet?

**Mr Daniels:** Okay, but I think it is very important, because this is in line and identical to the government tendering process. The first thing—and this is all part of the same process; you cannot break it into chunks—is, it all starts with a request for interest, where the government has a concept or an idea of a partnership, basically flowing from the Premier's Council, saying the government should enter into partnerships to create new companies, to compete worldwide and to look at partnership as a model. So the government initially goes out in public in the same three papers in its request for interest to see if anybody is interested in this kind of proposal. Part of that would be a large request-for-interest package. It was about that thick.

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**Mr Tilson:** What are the selection criteria, Mr Daniels?

**Mr Daniels:** Okay, that was the request for interest. Obviously there was a lot of interest because 72 companies came forward and said they were interested. Now you go into the very formal request-for-proposal process. Again, that is advertised in the large business journals across Can-

ada so that companies that are interested in responding to that and bidding, just as Mr Tilson said—sealed bids opened through the bid depository system. At that point in time, when the contract bidding closed, two consortia were in that package we opened. Both consortia then begin to make presentations to the government committee. There is a committee—

**Mr Tilson:** Mr Chair, if I could interrupt here. Before you get on to that process, how did you get to the process of two corporations? How did you get to that?

**Mr Daniels:** We did not do that. They formed up themselves.

**Mr Tilson:** But how did you say there is going to be Fimtech and Data?

**Mr Daniels:** Oh, I did not. The government put out a request for proposal. It has no idea what is going to come to it. We do not form those companies.

**Mr Tilson:** I am aware of that. How did the government get down to creating a short list of Teranet—

**Mr Daniels:** They were the only two that applied.

**Mr Tilson:** Only two applied.

**Mr Daniels:** They were the only two that came forward in the request for proposal through the bid process.

**Mr Tilson:** What were the selection criteria for those two companies to apply?

**Mr Daniels:** There were mandatory requirements that the government required.

**Mr Tilson:** For example?

**Mr Daniels:** For example: major equity contribution, equal partnership, and completing of the process earlier than the original government plan of 15 years.

**Mr Tilson:** No, I understand what you are saying there. Presumably there must have been certain criteria that must be established to arrive at how you are going to choose which company you are going to choose.

**Mr Daniels:** Oh, sure. If you would like me to I will read the mandatory requirements into the record. Here is what the government would be looking for:

"There must be an unqualified and irrevocable commitment by the strategic alliance to implement the Polaris project on a province-wide basis." In other words, to make sure they completed Kenora, Fort Frances and not just complete Toronto and stop; that they would have to complete the process.

"There must be a commitment by the strategic alliance to implement the project province-wide by January 1, 2002, or earlier.

"There must be an agreement to maintain the net revenue accruing to government from operation of the land registration system. In 1988 revenue was \$55 million; direct operating costs were \$35.6 million; net revenue was \$19.9 million." Both partnerships had to commit that the government would not lose any revenue.

"The government of Ontario will grant a 10-year licence to use the Polaris databases for a fee based on revenue.

"There must be a commitment to the creation of an LRIS"—land-related information—"business. Agreements



must contain performance benchmarks for the development of a business plan and other deliverables:

"The partners will make a substantial equity contribution to the strategic alliance which would be in addition to any proposal for debt financing.

"The partners, through appointments to the board of directors and key management positions, will share in the management and key decision-making.

"The partners will contribute staff to the strategic alliance and all staff will be treated fairly and in compliance with applicable legislation." That was very important to our existing staff.

"Government will maintain ownership of the Polaris database." We will continue to own the information. Teranet is a data distributor, not a data owner. The land registry system will still control the intake and the integrity of the data. It does not change the intake; it changes the distribution.

"Government will regulate the use, access to, and pricing of all products..." Products, existing and new, have to be approved mandatorily by the government.

"The strategic alliance must conduct its business...in such a fashion that Polaris can be disengaged from the strategic alliance and/or the data utility without significant cost or delay." In other words, it can be disengaged at any time without any disruption to the land information system. Those were the mandates the two companies had to meet.

**Hon Ms Churley:** Mr Chair, if I could just follow up an answer in your question very precisely, I believe what you are asking is why one was chosen; what the criteria were. Those were the criteria, and Fimtech did not come close in some instances to meeting those criteria at all, whereas Real/Data did. The decision was to negotiate with the consortium which best met those criteria. That is why Real/Data was chosen over Fimtech.

**Mr Tilson:** Going back to that stage where you advertised around the country, did you advertise across North America?

**Mr Daniels:** The Report on Business, the Financial Times, the Financial Post, that would be across Canada. I imagine the Report on Business would go across North America.

**Mr Tilson:** I guess there is a break from that to when you say, "Okay, we are going to go into partnership."

**Mr Daniels:** No, there was never a break. The partnership was what we were always looking for.

**Mr Tilson:** Okay. What I am getting at is, you advertised around the country to express the interest and you determined interest from 70-or-some-odd—

**Mr Daniels:** Seventy-two.

**Mr Tilson:** From 72 firms. What I am trying to find out is how you got from that to Fimtech and Real/Data.

**Mr Daniels:** They were the two that formally responded. There were 72 that said that they were interested. Of that 72, I would say about 30 of them were part of these two consortia. About half of them formed up.

**Hon Ms Churley:** They got together, you see. After the initial process, they, on their own, without any government involvement in both of these consortiums, got together. I guess they got together during the process of the first stage and then came back with their proposals. So many of the original people who had proposed, the smaller companies, upon recognition that they were too small in themselves to be able to manage this kind of partnership, got together and formed consortiums.

**Mr Tilson:** Who is Real/Data?

**Hon Ms Churley:** We have given you some information on that. There are five managing partners. Landata International Services, SHL Systems House Ltd, EDS of Canada, Peat Marwick Stevenson & Kellogg, and Intergraph Canada Ltd. Those are the five managing partners.

**Mr Tilson:** They are the shareholders?

**Hon Ms Churley:** There are additional shareholders as well and I think that is what you are more specifically interested in. There is a total of 21 individuals and 13 corporations. You are quite specifically interested in who they are, are you not?

**Mr Tilson:** Yes.

**Mr Daniels:** The shareholders' agreement right now is under the Freedom of Information and Protection of Privacy Act.

**Mr Tilson:** Why is that?

**Mr Daniels:** Under the Freedom of Information and Protection of Privacy Act, commercial ventures are protected. The minister mentioned some of the shareholders, who are the five managing partners and the most notable members of the partnership. The rest are individuals, and I think the important thing is that each of these individuals was reviewed by the government through a process called "due diligence" to ensure they had the financial business backing to meet their commitments. This due diligence was conducted by Price Waterhouse. These individuals, and as the minister said there are 21 individuals and 13 corporations, have the financial acumen, financial ability, to bring the money to the partnership. The other important thing is that 83% of them are Canadian and 17%—and that is capped—would be foreign investors. Well and away the investment is Canadian-controlled, and that is one of the things Price Waterhouse, in their completion of the due diligence, said. The company is Canadian-controlled and will maintain its Canadian control.

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**Mr Tilson:** Why does Price Waterhouse have access to all this information but the province of Ontario does not? Should not the province of Ontario be entitled to know who we are doing business with?

**Mr Daniels:** That is exactly why Price Waterhouse was retained. It does the due diligence for the province.

**Mr Tilson:** Why can I not, as a member of this Legislature, find out who in the heck the province of Ontario is doing business with?

**Mr Daniels:** I think the important thing is, that is being reviewed under the freedom of information act.



**Mr Tilson:** So you are telling me I have no access to that information?

**Mr Daniels:** I do not think we are saying "no access." Right now we are saying this is being reviewed and the request for freedom of information and release of that kind of information is being considered.

**Mr Tilson:** Will you tell me who the members of this consortium are—not only the 21 individuals, but the principals of the corporations?

**The Chair:** Mr Tilson, I do not want to interrupt, but I think the answer has been given. That has been applied for, I gather, under the freedom of information act and this deputy minister is in no position to give you that answer.

**Mr Tilson:** Mr Chair, the reason I am getting into that question is because we are talking about the running of a major part of commercial activity in this province, meaning our land system, which is why it is most relevant that this committee look at that. It is most relevant that when a private corporation is going to be having a major say, if not the major say, in the operation of our land system, we are entitled, you and I as members of this Legislature, as individuals of the Legislature, let alone the individual in the street, to know who these people are.

**The Chair:** I have no difficulty with that at all. All I am saying is that the question you put to the deputy minister is one that requires an application under the appropriate legislation and I gather that has either been done or will be done. Until there is a decision made by the commissioner either pro or con—if it is con, I guess we can always bring an application and have that reviewed. But I do not think it is fair to ask the deputy minister, or anyone here, for that matter, what the names are.

**Hon Ms Churley:** Just to be perfectly clear, this is a partnership, but this aspect of it is a private company. This is not unusual within government or the private sector. It is a private company. To get that kind of information released, you need the company's permission. We are right now in the process of negotiating, talking to them, to be able to do that. But we cannot break the law here. The freedom of information act is there for a reason and it does not just apply to Teranet; it applies to all kinds of private companies in terms of protecting information. Hopefully that information will be released, but we are not going to break the law and release it without that permission.

**The Chair:** Could I just inquire, Mr Tilson, who has made the application? I have just asked the auditors, and they have not. Who has made the application under the freedom of information act? Was it you?

**Mr Tilson:** I made—  
Interjections.

**The Chair:** I was just curious because I was not aware I had—

**Interjection:** Jumping the gun here.

**Mr Tilson:** Let me get back to the whole question of the—

**The Chair:** I was not trying to play cat and mouse there, David. I did not know who had made the application.

**Mr Tilson:** Oh, I know. I am sure you would never consider that.

Maybe we can get back to the question of the philosophy of dealing with private enterprise. Of course our party is a strong supporter of that philosophy. The question of course is dealing with security. The auditor's 1981 annual report spends a considerable number of pages dealing with government microcomputers and the access to that sort of information, who has access to that information and who can control information, how you get into it and how you change it around. The auditor spends at least 20 pages going through that whole subject. I can certainly well remember when the whole subject of Polaris was introduced, because I supported it. I can tell you, going through abstract books is—

**The Chair:** It saves your eyelids.

**Mr Tilson:** Maybe it saves your thinking. I welcome that.

There was no mention, as you indicated, until 1988 of getting private enterprise into the system. Did whoever thought this up not think that surely when private enterprise is going to be dealing with a service to the public and dealing with confidential information—and there is an awful lot of confidential information that one cannot reach. The assessment rolls are a typical example. Some of it is available; some of it is not available to the public. All of that will be made available through this system. Does that not give you concerns that some people will have access to confidential information, namely the private investors of Teranet, and others will not?

**Mr Daniels:** First, the information we are involved in is public data. It has been a public database since 1795. The land registration system and the land title system is public information. When people buy land or transfer land or assume deeds or register land, it is in the public domain. That is the hallmark of our system in Canada and the world: that people when they buy something must know what they are buying or considering buying so they know if the land is encumbered, if there are liens, mortgages, easements, all sorts of things that could encumber somebody's ownership. That information is and continues and will always be public and has to be public.

What Polaris does is take that public database and automate it. This agreement is controlled by the Freedom of Information and Protection of Privacy Act. Private information, information that is not in the public domain, cannot be put into the Polaris system. The agreements have all sorts of important riders in terms of security, that very important issue you raised in terms of limited access, and quality of that information.

I will just read the implementation-operation agreement, which says, "The parties have an obligation to put in place quality control procedures that will assure all information is secure and accurate, in compliance with the legislation." The ministry and part of the strategic alliance liaison office, part of Sue's staff, is a full-time quality control person. As we maintain the business and operate the business, we control the quality and the security of the



information and we have very much that obligation as the provincial partner and as the monitor of that contract.

I do not think I can say much else other than to say that the system is a public base system. We will automate the public base. Remember, as I said earlier, the land registration system is still there. The province still owns the database. People will come to the Ministry of Consumer and Commercial Relations through the land registration system and register as they do now. We will assure that the ownership is correct and will guarantee title. The province guarantees the title.

Teranet, of which the government is 50-50 partner, distributes that information. It is a data distributor. It does not create the data; it does not approve the data; it does not ensure its integrity. We assure its integrity; we take the data in; we approve it. They are a distributor of data, just like any other organizations that would distribute it. What we could not do on our original Polaris, even for a \$112-million project, is distribute the data on a remote-access basis. All we were going to do with \$112 million was take the land registration system and automate it within the land registration offices.

This product and this partnership is something we always wanted to do. We knew the financial costs of a major electronic imaging would allow us to distribute this information remotely so that people who are now involved in coming down to a land registration office to search can do it through modems and hookups in their own personal computers. These would be law firms, search houses, conveyance companies. When Polaris is completed, they will be able to deal on a remote-access basis. That is what the partnership brings. If we had not gone into partnership, we would only have an automated system that automated the offices. It would not bring the data closer to the users, as a modern information system should. What we get for our partnership is a data distributor.

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**The Chair:** Can I interject, Mr Tilson? You say the government certifies the accuracy of the title, and that information is then marketed by the non-government side.

**Mr Daniels:** Yes, of which government is half.

**The Chair:** It is a 50-50 participant in this company. If there was to be a mistake made by whomever, would the loss entailed by that only be foisted on the government's share of the company, or on the total part?

**Mr Daniels:** First of all, if there is any error it is in the registration, the input, and that would be done by us. We are the ones who are responsible for it.

**The Chair:** Is there something in the contract that says the government is the only one on the hook for the mistake as opposed to the entire corporation?

**Mr Daniels:** I am not sure of the answer. I am not sure if Sue would know. I can tell you about converting to land titles. Let me back up slightly about who is responsible for the accurate transfer of land. The Registry Act, as I said, goes back to 1795. The Land Titles Act only goes back to 1895. The government has been trying to convert to land titles for almost 100 years. This will make it take place in eight years. Under the Registry Act the law firm will as-

sure that title is clear. Under the Land Titles Act, the province and the government are assuring the title is clear.

As part of this conversion to Polaris, there will be no more registry system. We will be on a full land titles system. So the accuracy of the information and the clearness of the ownership will be up to the province. Our land registration clerks and abstract clerks are the ones who will be approving title, not Teranet and not RDO. The Ontario government is the service deliverer for the data.

**The Chair:** But the question I am asking is, for instance, if I own 50% of the shares of a company and I do something negligent, unless there is some term in the contract that precludes my 50% of the shares from being assessed for that negligence, it is shared by all the shareholders of that company. That is what I want to know.

**Ms Corke:** My understanding is, if that error is in the conversion and automation process which Teranet is responsible for, it is our responsibility to ensure that it is corrected, but Teranet bears the cost of correcting it. If there are errors in the original input data at the time of registration, then I believe those errors are protected by the liability fund.

**The Chair:** The land titles liability fund.

**Ms Corke:** Yes.

**Mr Tilson:** It does get back to the question of whether there is an error made anywhere in the entire system.

**The Chair:** Yes, is it shared by everybody or just by the government?

**Mr Tilson:** That is right; the input, the output, anything to do with the system. This is a partnership. As I understand what has been presented in the media, if that is to be believed, the sole responsibility of rectifying and paying for any errors lies with the government.

**Ms Corke:** No, not unless it is original input data. If it happens during the process of work that Teranet is responsible for—in other words, the automation process—then the error is corrected at Teranet's expense.

**Mr Tilson:** What sort of financial resources does Teranet have to cover such a thing?

**Ms Corke:** Without knowing the detail of it at the moment, I would say that it was contingent operating cost; that these quality control techniques they have that we are putting in place with them now and that we have to sign off on to ensure—

**Mr Tilson:** They could make a \$1-million error very easily, a \$2-million or a \$1-billion error.

**Ms Corke:** They could not make a \$1-million error very easily. There are very stringent quality control techniques that we are putting in right from the very beginning of the process of conversion through to the end. We are, in fact, in the process of signing off with them now, so they are government standards—

**Mr Tilson:** Are you telling me this system is fool-proof?

**Ms Corke:** There are many, many checks. I cannot remember the error rate—



**The Chair:** Have you ever heard of anything a government enacted that was foolproof? Give me a break.

**Ms Corke:** The error rate over the last six—

**Interjection:** Six or seven years.

**Ms Corke:** —yes, is very, very low indeed.

**Mr Tilson:** Are you telling us, though, that that has not been part of your requirement as to what Teranet or Real/Data has with respect to covering those errors?

**Ms Corke:** This is a new company we are talking about, and they are currently negotiating their own liability insurance. Presumably that is how they would handle that kind of thing.

**Mr Tilson:** But was that not looked into as part of the overall tendering process, as to what sort of financial background these two companies had?

**Mr Daniels:** That is what the due diligence is all about, how much money they could bring to the partnership. The government's equity contribution is \$29 million. That has to be matched by the partner as part of equity.

**Mr Tilson:** You are satisfied that exists?

**Mr Daniels:** Price Waterhouse, in its review, through its due diligence, assures us that the partners have that money, and their first requirement on signing last May was that they had to deliver a cheque for \$5 million on signing. It arrived. The government also put its \$5 million cheque into the partnership, and as each partner contributes towards this \$29 million, the other partner has to put in.

**Mr Tilson:** Eventually, how much money will Real/Data be putting in?

**Mr Daniels:** They have to match the government's original equity of \$29 million.

**Mr Tilson:** And they have put in \$5 million of that?

**Mr Daniels:** Yes, and that is all the government has put in. Whatever we put in, they put in.

**Mr Tilson:** I am getting back to the issue of errors that the Chair asked about, as to how you anticipate protecting the people of Ontario. Who is certifying the titles, the province of Ontario and Teranet or just the province of Ontario?

**Mr Daniels:** The province.

**Mr Tilson:** Just the province; so if there are errors, then the province is responsible for any errors.

**Mr Daniels:** We will be the ones who are inputting the data, not Teranet, through the land registry system.

**Mr Tilson:** Are you able to file with this committee any feasibility study as to the operation of Polaris in the capacity of operating this partnership with Teranet?

**Mr Daniels:** Not exactly a feasibility study. Polaris has been examined since the mid-1970s. I have a shelf of Polaris stuff that you can go through, and it shows you all sorts of feasibility studies and things that we just talked about, like quality control as we convert to land titles, risk assessment, risk aversion, all the automation things that relate to that.

**Mr Tilson:** Somewhere along the line it changed. From 1974 to 1988, somewhere in that time frame, it changed.

**The Chair:** Excuse me. We are being interrupted by the big band sound, which I would like to find out about. I think that should not be going on while committee hearings are being conducted.

**Mr Villeneuve:** I thought the Liberal leadership was a week ago.

**The Chair:** It may be, but surely they can go outside and do it.

**Hon Ms Churley:** Just in terms of your last question, it is my understanding—and Sue might be able to elaborate on this—that there was an audit done in 1980. Sue?

**Ms Corke:** Yes, I think it was an electronic data processing, EDP, audit of the Polaris system.

**Hon Ms Churley:** So it would have looked at the financial implications that you are talking about. There is no copy here today.

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**The Chair:** Is that available, Minister? Could that be made available to the members of the committee?

**Hon Ms Churley:** Yes.

**The Chair:** Would that satisfy? That is financial, Mr Tilson. I think what you are looking for is a quality—

**Mr Tilson:** I want to know if the system is going to work and what it costs. Someone tried to convince us back in the early 1970s that it was going to work. All of a sudden we are dealing with a partnership. As I say, the process changed.

**Mr Daniels:** No, actually the process of distribution changed, not the creation of Polaris. We have been doing the conversion, as you said, since the 1970s. We began the prototype in Woodstock.

**Mr Tilson:** I am quite aware of all that.

**Mr Daniels:** But until November 22 the province of Ontario was doing the conversion, and we had converted close to 400,000 properties. Nothing is going to change as of November 22 to make that conversion any different.

**Mr Tilson:** Why did the province decide to get out of this and put more of it into private enterprise, as opposed to taking it all on itself? Was there not a feasibility study with respect to that?

**Mr Daniels:** Yes, there was, very much so. If I can answer, that is a very good question. In 1987, the government, at Management Board, approved the implementation of Polaris for the next 15 years, and leading to that would be a feasibility study. In that approval, it said that 17% of the mapping work would be privatized, given to individual mapping companies.

Those individual mapping companies and the universities involved in land systems approached the minister of the day and said, "This could be better done in partnership, rather than done by public servants." This would have required an increase of about 500 staff to the public service over the period of time and would cost, as I said, \$112 million.



What they wanted to do was say, "Let's take another look at this in a partnership way."

They established a working committee of university professors from the University of Toronto, Sir Sandford Fleming College etc, who are involved in land systems, some of the large engineering firms that are involved in land systems, the Ministry of Natural Resources and the Ministry of Industry, Trade and Technology. There was a large committee that reviewed the concept of partnership.

At first, it looked at just privatization and subcontracting and increasing the subcontracting potential, say, from 17% all the way to 90%. At the same time, the government had commissioned a study by the Premier's Council on economic policy, and it said, "Perhaps government should be looking at partnerships," and the staff who were involved on our working committee from MITT said, "Why don't you take a look at partnering?"

If you go back to that previous council, remember there was a statement in it that said, "Government should use its procurement power," much like Quebec did in the areas of Lavalin and SNC, "to help create industry and to move industry along." Basically, that is what this came out of. We said, "You're right; we can move from the concept of subcontracting to partnership," and that is what happened in 1988. That is when we went out and began to see if this idea of partnership with the private sector would fly, if there was anybody out there who would really want to be our partners on our terms.

**Mr Tilson:** I guess the type of information I am looking for—

**The Chair:** Mr Tilson, there are two other questions. You have had quite a bit of time. I think I am going to move to them. Mr Johnson.

**Mr Johnson:** Thank you, Mr Chair.

**The Chair:** Can you hear me, Mr Johnson?

**Mr Johnson:** Yes, I can hear you, Mr Chair. I have this incredible desire to get up and dance.

**The Chair:** My card is full, Mr Johnson, I am afraid.

**Mr Johnson:** Well, then, you may want to pass. Much has transpired since I first indicated I wanted to ask a question. I still am of the opinion that the standing committee on public accounts might, at some later time, want to review the efficiency and the accountability of the Polaris project, but I think this is just too soon, and that is my opinion.

I listened to Mr Daniels give his explanation of the process that reviewed the tendering process, that reviewed the partners that would eventually be the partners of the government in the Polaris project, and I guess there is a sense that often governments take too long when they decide to do things. So there is a tradeoff. You can take too long and have people saying you are taking too long, you are overdoing your investigations, you are overdoing your research. On the other hand, you can have people say you did not do it extensively enough. I think we are at the point in time where we have to get on with this project.

I just want to say to Mr Daniels: Do you think the process at this point in time has been timely? Has the review been extensive enough to satisfy the criteria that

the government—I think you have indicated that; I would just like to hear you reaffirm that.

**Mr Daniels:** All the way through the negotiating process, which was almost two years—we are talking two years with about eight to 10 different reviews through that process, probably the most extensive review process of any selection I have ever been in, but we are talking about a very major issue—I was concerned that the two consortia, Fimtech and RDO, would actually stay around for the full two years of negotiations, and they did. Both of them stayed through the whole process of selection and review. It shows you there was a strong interest and strong commitments from both partnerships to stay the course.

As I say, we had a massive number of reviews, both external and internal, both bureaucratic reviews of all ministries involved and external reviews by law firms and consulting firms. We went as far as the east coast to make sure we had neutrality. I think the process of review is probably the most extensive and I think everybody should be quite proud of the review process and it would stand any kind of scrutiny.

**Mr Johnson:** This is an idea, again, that you said started in 1974?

**Mr Daniels:** The concept of Polaris goes back to the law reform commission that said we should automate the land registration system in 1974, and we began to do prototypes, pilots and all the things Mr Tilson mentioned in terms of feasibility, what kind of systems we would use. We were all set and ready to go in 1985 with a prototype in Woodstock, which was quite successful. Oxford county has fully implemented Polaris. At the same time, we started some work in Chatham. We have been working in London to convert from registration to titles, and we have done all of North York and a substantial portion of Scarborough. I think close to 400,000 properties are already in the Polaris system. With the new buildup with the private sector, we will go about 300,000 to 400,000 a year until we are finished.

**Mr Johnson:** When do you think this will be completely intact and operating province-wide?

**Mr Daniels:** Eight years.

**The Chair:** In the words of Michelangelo, when it is finished.

**Mr Daniels:** Eight years.

**Mr Johnson:** That is the projected time.

**Mr Daniels:** That is the agreement time.

**Mr Johnson:** Do you think then that nearly 18 years down the road, the process has been successful and timely?

**Mr Daniels:** Absolutely.

**Hon Ms Churley:** That is a setup question.

**Mr Daniels:** Yes. But if you went to Woodstock and talked to the people who use the system and have been using it for five years—seven years now—they really find it speeds up the process and ensures accuracy. All the things Mr Tilson asked about have been monitored and controlled through EDP audit and constant review of that

prototype, and that is the prototype we continue to use as we convert.

**Mr Johnson:** Will there be any segment of our society that will be advantaged or disadvantaged as a result of this project?

**The Chair:** The title searchers. They will be out of work.

**Mr Daniels:** They will not be disadvantaged, because they will form up different types of operations. A lot of law firms are quite small and will not want to invest in the direct hookup, but title searchers will form up consortiums and companies themselves to package up the remote services. I see the little guy having a whole new business to go into, as well as the large law firms. Other ministries and other governments can hook up to Polaris directly through a modern system. It is going to make land information a lot easier in Ontario than the 200-year-old process that exists now. My staff have to lift books that weigh 30 to 40 pounds. A lot of them are probably—

**Hon Ms Churley:** There is also the fact that we expect 2,000 new jobs, high-tech jobs, to be created as a result of this technology.

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**The Chair:** I am going to go to Mr White and then Mr Villeneuve in light of the length of time Mr Tilson had.

**Mr White:** If I could, I would like to review the status of this motion. Has this motion been withdrawn or just deferred?

**The Chair:** No, it has not been withdrawn. It was deferred to hear from the minister, which we are doing now.

**Mr White:** It just seems to me that when I look at the questions posed, which are very well-articulated questions, those questions have been very substantively answered, with the exception of the management of the Polaris project, which can only be determined over time, of course, but the other six questions seem to have been very articulately responded to. The criteria for the selection, the terms and conditions of the partnership agreement, a comparative analysis of bids and proposals: all those things have been very carefully gone through.

**The Chair:** Is that a question or is that a—

**Interjection:** He is getting to it.

**Mr White:** I had a few questions related to where these questions came from and the controversy that has revolved around this. First, on your last point, though, we were talking about 2,000 jobs in this province, high value added, high-tech jobs. According to the release from the previous minister, this was supposedly to be a state-of-the-art technology, a state-of-the-art partnership, something which will no doubt be copied in other jurisdictions. Has such a program been introduced in other areas in North America?

**Hon Ms Churley:** It is state-of-the-art technology, you are quite right, and it will create high-tech jobs. It is my understanding that because it is so new and state of the art we have been asked to consult with international juris-

dictions, which have been coming to talk to us about this. So, yes, we are on the leading edge in this one, I am proud to say.

I think that actually all three parties who have been in government now over the years have been involved in this project. It started back in the Tory government, and as Mr Daniels explained—

**The Chair:** That was a long time ago.

**Hon Ms Churley:** —their participation—

**Mr Villeneuve:** Those were the good days.

**Hon Ms Churley:** I knew I was getting into trouble there. Then of course the Liberal government took it a step further, and we came in—

**The Chair:** Just a short while ago.

**Hon Ms Churley:** —just a short while ago, in 1990, and as Mr Daniels said, we were of course coming in after Tory and Liberal governments started a project. We decided we better take a very good, hard look at this, which we did. As has been said by Mr Daniels, both the other governments had done inside and outside reviews on this. I was not in the ministry at that time, but I did review this very carefully and it is very clear that this government as well went through the same kinds of internal and external examinations and the due diligence.

I think the questions Mr Tilson is asking and has been asking—I would not say all of them, but I think it is quite fair to ask those kinds of questions and be clear where we are going with this, because it is a large consortium we are starting here and it is high-tech and it is value added and it is state of the art and will in fact lead to, as we have talked about, further employment.

I think the issues that have been asked around privacy and around financing are important ones. That has to be taken into consideration while we discuss the actual positive aspects of this. We believe we have. This is a new company, and as Mr Johnson said earlier, it is already up and running but still has some details to be worked out. The idea of an auditor looking at that in a year or two, in my view, is a very good idea.

**Mr White:** You have entered on to the very issue I was wanting to bring up, which was the review the new government took. Certainly there may have been reason in the past, at the outset in October 1990, to review some of these programs. We have talked about the private ownership in the consortium—the RDO consortium, the 21 individuals—and of course part of the review might be looking at what is the proportion of ownership, the extent of private ownership, that was not accessible. I am wondering, along those lines: Was the previous minister satisfied that the level of entirely private individual ownership was of a proportion that was low enough not to bias this project?

**Hon Ms Churley:** Yes, the due diligence, which was a very important aspect of the reviews this government did, clarifies and certainly makes us very comfortable with the makeup at this time of the consortium. We are convinced that it will remain Canadian-controlled, for instance, that right now the consortium as it exists is



Canadian-controlled and will continue to be so, and we in fact will have the right to review any changes that are made. Correct me if I am wrong in that.

**Mr Daniels:** Absolutely right: any change of ownership.

**Hon Ms Churley:** Yes, that was an important aspect to find out in terms of the due diligence. The other aspect, which has been mentioned earlier, is the financial aspects. We wanted to know and be very sure that this consortium did have the money to be able to fulfil its obligations. On both those counts the due diligence clarified and convinced us that in fact this consortium is Canadian-controlled and does have the money to proceed.

**Mr White:** We have also discussed the issue of liability. I am not familiar with some of the firms involved, because frankly it was not my area of expertise or business practice in the past, but certainly for EDS and Peat Marwick the liability for those companies, which is a potential liability to this point, would be petty cash, I would think. EDS is certainly a very large corporation, its Canadian offices of course being in my riding in Durham Centre.

**Mr Daniels:** That is right.

**Mr White:** And of course Peat Marwick is a very substantial firm as well. With corporations that size, liability issues are, I am sure, well assumed by their own insurance and their own net worth, to put it mildly.

The other question I had was, going back to my own riding, with a new office in Whitby, why is it that the state-of-the-art technology is not available in Durham?

**Hon Ms Churley:** It will be one day.

**Mr Daniels:** Whitby is in the first five years.

**Mr White:** Great.

**Mr Villeneuve:** Watch they do not shut it down on you, Drummond.

**The Chair:** I would like to throw in that little one before Mr Villeneuve. In light of the technological advances, what impact will that have on the number of employees in the registry offices and the size of the offices?

**Mr Villeneuve:** That was my question.

**The Chair:** Sorry, I did not want to steal your thunder.

**Mr Villeneuve:** Go ahead.

**The Chair:** I always advocated, and I am sure that one day my colleagues in the legal profession will skewer me for this in Hansard, but I always figured that people should be able to put 50 cents into a machine and get their title out, instead of having to go and pay exorbitant rates to a lawyer to search the title and to come up with the opinion that your title is good and valid. It seems to me ludicrous that people have to search title after title after title, year after year after year. I do not know why the government, if it really wanted to do good things for the people, did not just put a machine in a corner store where you could put 50 cents in and get your title out and then go to the lawyer and have him draw up the deed. The magic that is kept there by the legal profession is absolutely unbelievable. I say that being a lawyer.

**Hon Ms Churley:** You are allowed then. Just to answer your—well, it was not a question; I think you were being somewhat facetious in terms of putting the information in vending machines, but I think that would be the end of all our land registry offices and their staff right there.

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**The Chair:** That would save a lot of money, let's put it that way, and make it cheaper for the public to get what it is paying big bucks for today, and will be paying big bucks for even under this process. You have the government, which has to put all this stuff into land titles, and then you have the government selling that service, through this co-partner, to people, through their modems.

The only people who are going to get it, I venture to say, will be the law firms. I, as an individual with a modem, am going to have to pay an exorbitant fee if I want to get access to my title alone. With the greatest respect, I do not think we have advanced one whit towards assisting people in getting very basic legal services that heretofore have cost them an arm and a leg for a reasonable rate.

I think the government should be moving in that direction. Again, my colleagues in the legal profession will probably crucify me for that, because that is their bread and butter, but I do not think that is fair to individuals, if you have it all automated as it is today, to go into land titles—you go into land titles, get a photostatic copy of the abstract and you have the title right in your hands. There is no risk. When I was in law school they always told you that big fees for lawyers in real estate deals were the risk. There is no risk any more. Let's call a spade a spade and put the price at the proper rate.

**Mr Hayes:** Excuse me, Mr Chair, have the Liberals used up their time yet?

**The Chair:** No, no. Actually I am the only Liberal who has spoken. I just had to get that in; that has always bugged me.

**Mr Villeneuve:** There is nothing like losing power to become repentant. I think we have heard some of that right now.

Under all this great automation, can we anticipate some of our local registry offices closing and having a unified registry office in downtown somewhere looking after everything?

**Hon Ms Churley:** I will let Mr Daniels follow me, but that is not in the plan. It is not connected in any way. Dare I mention it, because I have not heard about it for a while, raising its ugly head again? But it is not connected in any way to the closing of the land registry offices in the united counties scenario. The idea is to be able to service those land registry offices in communities more accurately and more quickly. Do you have anything further to add to that?

**Mr Daniels:** No.

**Mr Villeneuve:** Thank you. That reassures me to some degree. There is quite a lot of bureaucracy required to bring the quality of present titles, as they are not registered under land titles, up to the standard acceptability of



land titles. I was exposed to that in my other incarnation doing real estate appraisal work and of course spending quite a bit of time in registry offices. We had one municipality in the area that I covered under land titles that was very easy to work with. What is it costing the land registry offices or the ministry to bring all of this information up to the standards for land titles?

**Mr Daniels:** The long-term cost of Polaris, as I said, was going to be \$112 million. That is the cost of just that kind of work on that many properties. We are looking at around \$50 to \$60 a conversion for an individual property. By going into partnership we reduced the province's costs substantially, by about \$80 million. It is labour-intensive. Individual staff who are now part of the Polaris team, through what they call a risk assessment, go back and search title, just as a lawyer would have, and then look at any kind of adverse possession or adverse possession requirements against any of that land. Then we convert it, in automation, to the land titles system from the registry system.

That is the conversion process. It is very labour-intensive. It requires our staff, who have to be trained searchers-conveyancers in their knowledge of land information, to look at the history of that ownership and that transfer. Much as a lawyer would do the 40-year search, they are looking backwards and moving it to the land titles system. That is taking place in London and has been taking place in London for the last three years without any problems at all. This is very interesting, as we have done close to 40,000 properties in London in a test phase, testing our risk analysis and finding it works really well.

**Mr Villeneuve:** Your land registrar will also have to certify legal description. Is that creating an expensive problem?

**Mr Daniels:** They do now. I think almost 45% to 50% of properties in Ontario are already in land titles, so we are just moving the last half into it, Mr Villeneuve. They are doing it now. That is their job.

As to the integrity of the data, we have not transferred that to Teranet. That remains with us. We still are responsible for the land information system, and that, as the minister said, means there will always be land registry offices. Not everybody will be able to deal with us remotely. People will still need to go to the land registry office. It will be automated, it will be easier to access, there will be large firms hooked up. Maybe your vision of the future is not so far away: that kiosks and things are going to be available.

**The Chair:** Beer in the corner stores was popular. I think this should be too.

**Mr Daniels:** As the minister said, we see the need for our land registry operation and offices to be intact, because we need to control the intake. We are the intake. We are the data integrity people.

**Mr Villeneuve:** So the government partner, Polaris, will not bear any of the cost of updating the information now on file? They will take over when it is all under land titles and the cost will have been assumed by the ministry?

**Mr Daniels:** They are doing the conversion. This organization will be taking the land and moving it to an automated system, either a land titles system and convert-

ing it very easily, or converting from registry to title and converting it under our control, through our quality control. But they will provide the manpower involved in the conversion process. The partner will be responsible.

**Mr Villeneuve:** Once your titles are in such a position as acceptable to transfer?

**Mr Daniels:** That is right. We assure the quality of the work.

**Mr Villeneuve:** In 1988 it looks like the LROs made about \$19 million of profit. Do you anticipate that under the new deal with Polaris, as 50-50, the ministry will enhance that, maintain it or reduce it?

**Mr Daniels:** Going into the partnership, it is our belief that we will at least maintain. In fact, the contract requires us to maintain our revenue projections through the 10 years, so that the government will lose none of its projected revenue. But obviously we want better than that. We are a partner in a company that is going to offer remote services, so we will share 50% of that profit.

If they sell the product—as the minister says, part of their requirement is to sell these products elsewhere, across Canada, the US. Since I have been in the ministry we have had 33 foreign countries—this is what made me realize that there is a pent-up, strong demand for land information services—visit Polaris, came to Canada and went to Woodstock, and are on the verge of purchasing this material. It is exactly what we had a vision of, that we would be leading the world in land-related information systems.

Ontario is one of the largest land masses. It has a very good informational geomatics base and the Ministry of Natural Resources has built on what is called the base map. We add value to that base map by adding property maps. A lot of countries have converted their information processes, the deeds and all that, but only Ontario has taken a mapping approach to it. There is an information database of deeds, but there also is a map that shows the ownership of the land on top of the physical, topographical map in Ontario. No other country has done this. That is why we are a leader. We are using geomatic, geographic information, coupled with ordinary information and nobody else has done that.

British Columbia, for instance, in its BC Online, has automated the land information system but not the maps. That is what makes Ontario unique. We have a large land mass and we have invested in a geographic mapping system, so that Third World countries, the eastern countries, are visiting us in the largest numbers right now. The eastern European countries are coming to look at how can they move into a system where ownership of property is important, as opposed to a collective. We are there. We are leaders. We are in the market now.

Somebody asked if anybody else was. One of the states in Australia is also in this kind of business, but it has not used the geomatics approach either. So we are out ahead of that. We have the large land mass, we have a great history of mapping the province and we have made an investment in that over the years. I think we have a lot to be proud of



and this partnership will generate for us 50% of that international market.

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**Mr Villeneuve:** Of concern to me—I am no computer connoisseur, but we hear of computer viruses and problems that occur. With the government being a 50 per center and Polaris being the other 50 per center, what—

**The Chair:** It is not Polaris; it is Teranet.

**Mr Villeneuve:** Teranet, sorry. What safeguards has the government, as only a 50 per center in there, got to protect some of the very vital information? I realize we are looking at the Constitution protecting social services and what have you, and yet the right to the ownership of land is of very grave concern to me.

We see now that the Ministry of Natural Resources has designated areas as class 1 wetlands without the owners even knowing this has occurred at the bureaucratic level. I see this computerization making it even more easily accessible for bureaucrats to do some very restrictive things to the owners of real estate. They find out after the fact and, I tell you, it is creating major problems in some of the areas I represent. What safeguards do we have here to protect the land owner?

**Mr Daniels:** In this agreement there are a number of mandatory safeguards built in. The key one is of course that the government still owns the data; nobody else does. The government controls all the legislation and regulation etc related to the land and the policy around land information systems. That still belongs to us.

We also control the pricing of any new products and any change to existing pricing. We also have to approve any new product you are talking about. Suppose this process of automation creates new products. We have to approve those, but more important, we have to approve those—this is what the agreement says—considering freedom of information and privacy provisions of the law. We cannot create a new product or do anything that would impinge on individual privacy and freedoms. That is in the agreements. That is part of this thing. Each of those new products had to be reviewed by the government in view of its public policy. I think all governments have an interest in protecting individual privacy. It says public policy and freedom of information—I think those are probably the two most important safeguards—are mandatorily in the agreement with Teranet.

**Mr Villeneuve:** On the computer virus problems—this is a new word to me—I understand computer wizards can access information that you as an owner may not even be aware of. Do you have protection against that?

**Mr Daniels:** There are a number of things. The minister was just pointing out that in our agreement we will have offsite backup of all our data if something crashes or goes down. We always back up our data offsite, not in the land registry office but somewhere else, on DATs—digital audio tapes—and things like that.

**The Chair:** I think Mr Villeneuve is more concerned about illegal access, like the kid tapping into your bank account at the bank—hackers.

**Mr Daniels:** We have major quality control as part of this agreement. We have a special unit in Sue's branch that constantly reviews the quality of the data and the process of quality control. That is very much part of it, so we expect that none of those things—hackers or viruses—will be involved because the quality we are building in will ensure against that.

**Mr Villeneuve:** The president of your partner states that there are about 30 people involved and that the government does not want him to disclose names. Would we be talking about freedom of information? I am referring to an article that came out a while ago. It says: "Real/Data appears headed to win the huge contract. President Mohammed al-Zaibak says he will not disclose the list of owners because the government does not want them revealed."

**The Chair:** I think you missed that. You may have not been in here when Mr Tilson asked that question. It is protected under the freedom of information legislation.

**Mr Villeneuve:** I want to make sure that this is what has occurred, because Mr Tilson has requested.

**The Chair:** This is what we were told, that by virtue of the agreement it is protected under the freedom of information act. I believe Mr Tilson has filed an application.

**Mr Villeneuve:** Quite some time ago.

**The Chair:** He has not had an answer. That is the immediate answer to your question, I believe, subject to—

**Hon Ms Churley:** Yes. Mr Tilson, I think you have received the master agreement but not the rest of your request. Is that correct?

**Mr Tilson:** I received an agreement that has large sections blocked out—

**The Chair:** It is like a crown brief.

**Mr Tilson:** —as well as an indication that there are a number of other documents that were not produced to me.

**Hon Ms Churley:** To follow up on the question, the government has no problem with these names being released as long as it is done legally through the freedom of information act. That is quite clear.

**Mr Villeneuve:** I am always concerned because of the very vital information. I know lawyers have ways of camouflaging a lot of things.

**The Chair:** Hey.

**Hon Ms Churley:** Do you want that stricken from the record?

**The Chair:** Disregard that.

**Mr Villeneuve:** This is a known fact. I, as an appraiser, can vouch for it. Very often it was very difficult to find out just exactly what was paid—\$2 "and other considerations." I am not sure just—

**Mr Tilson:** Natural love and affection.

**The Chair:** That is right. Natural love and affection goes a long way.

**Mr Villeneuve:** At arm's length, yes, I can appreciate that.

**The Chair:** I want to ask one question. Has there been some protection built into the legislation to protect people



who are creditors and who have filed an execution with the sheriff under the registry system so that when all of this is brought into the land titles system their execution will be automatically protected?

**Mr Daniels:** We have been working with the Attorney General to link up the sheriff's writs of execution systems in the Atrium on Bay office in Toronto. We are co-located so that people do not have to go to the sheriff's office and then to our office to do it. More and more we are looking at closely aligning ourselves with that system.

**The Chair:** I appreciate that, but I do not think you are getting my question. When land is under registry you file with the sheriff and it only affects the land on the registry. You are now moving this land from registry to land titles without anybody really knowing it, and certainly not the creditors. So the creditor's execution is filed with the sheriff of the county, which only affects registry land. Since a copy has not been sent to land titles, which would be the case if they knew it was in land titles, how are you going to protect their claim, which was valid when it was in registry and has now been moved to the land titles without any notification to the creditor?

**Mr Daniels:** I do not know the answer to that. That is a very technical question. We can get you that answer and give it to you in writing.

**Mr Tilson:** In order for Polaris to be implemented the entire province will have to be resurveyed. As I understand it, one of the contracts that is not being produced to me is a contract with some surveying firm that will result in all of the land in Ontario being resurveyed over a period of time. That is my understanding.

At the very outset Polaris is calling for remapping, so we know perfectly well that under the Polaris system the entire land system has to be remapped, which means all the surveys of this province will become redundant. There is obviously a substantial cost with respect to remapping, resurveying, creating new legal descriptions and certifying titles. You have indicated half the province—in fact it is more than half the province—is going to have to be certified. Are you telling me that Teranet, which is 50% government and 50% Real/Data, is going to be paying for all this?

**Mr Daniels:** Part of the total cost of the conversion involves mapping. We do use existing mapping systems. There are Natural Resources maps, there are Revenue maps, there are MTO maps. We do not create a whole new map base. We build on the existing maps. Where there are problems in terms of easements or things that need to be reviewed, then we will subcontract, as we always did.

**Mr Tilson:** Polaris has an extensive mapping system. We have all seen the plans.

**Mr Daniels:** Yes, that is right.

**Mr Tilson:** It is going to take more than Ministry of Natural Resources mapping.

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**Mr Daniels:** I am saying that not all of Ontario will be remapped, but obviously there will be a lot of mapping to be done. One of the major partners in the RDO partnership

is Landata systems, which is a consortium of survey and mapping—

**Mr Tilson:** So they will have the exclusive contract to do all this?

**Mr Daniels:** They must bid on a fairmarket basis. Teranet Services Inc and our partnership must make sure that the subcontracts are fair. It is not just given over to them automatically.

**Mr Hayes:** I would like to get back to my question, Mr Chair.

**The Chair:** Is there a point of order?

**Mr Hayes:** No, I have a question.

**The Chair:** Mr White, you seem to be in a—

**Mr White:** I thought we were rotating questions, and Mr Hayes had a question.

**The Chair:** I am sorry; yes, that is right. He did not at the time that I recognized Mr Tilson. He only put his hand up now, so we will get to him as soon as Mr Tilson finishes.

**Mr Tilson:** The question that I am asking Mr Daniels or the minister or anyone is. I would like to hear specific figures as to the tremendous costs for remapping the province of Ontario, what it is going to cost to certify the titles for Ontario. There may be other costs. My understanding, from your presentation this morning, is that Teranet is going to pay those costs.

**Mr Daniels:** First of all, the costs of doing Polaris as we calculated them in 1988 dollars was \$112 million. That \$112 million over 15 years was to do exactly the things Mr Tilson said. It would do the title information and the title conversion and begin the mapping process but utilizing existing mapping systems, and then, where we needed to supplement, using private mapping firms. In the original Polaris concept in 1987, I think it was about 17% of the mapping that would be done through private mapping firms.

**Mr Tilson:** That is not my question. I realize you are going to hire surveyors to do this surveying. I understand that.

**Mr Daniels:** It would have cost \$112 million to do Polaris.

**Mr Tilson:** My question is, who is paying for it—the government or Teranet or Real/Data?

**Mr Daniels:** Both parties, we said earlier, are going to commit \$29 million each towards that \$112 million, while the rest of the money comes from the revenue generated through the sale of the information.

**Mr Tilson:** The government is going to be paying for all these costs with the exception of—

**Mr Daniels:** No.

**Mr Tilson:** Can you tell me who is going to be paying for these costs?

**Mr Daniels:** Real/Data Ontario is going to put \$29 million into the project. The government of Ontario is going to put \$29 million, and this is the beginning of it.

**Mr Tilson:** And who is going to pay the rest?



**Mr Daniels:** The rest comes through the revenue that is generated through the sale of the remote access information. In other words, it regenerates itself. The revenue goes back in, as it would in any business. You are going to reinvest in the technology as you go.

**Mr Tilson:** Is Teranet guaranteed a minimum flow of revenue?

**Mr Daniels:** The government is guaranteed its revenue.

**Mr Tilson:** The government is guaranteeing Real/Data, which owns a percentage of Teranet, a minimum revenue?

**Mr Daniels:** No, they do not have any minimum guarantees. We are the ones who have the minimum guarantee. We must maintain our revenue over the 10 years.

**Mr Tilson:** Why would Real/Data stay in this? What is their incentive to stay in this?

**Mr Daniels:** They are going to create new revenue sources, such as the remote access, and that revenue source they will keep 50% of, and part of that 50% that they keep will have to be reinvested in the new technology. In order to do remote access they need to go into a digital auto-imaging system. We never would have been able to fund that.

**Mr Tilson:** Getting back to my initial question, it is going to cost a lot more than \$29 million to put this whole thing together; you know that. It is going to cost millions.

**Mr Daniels:** Yes, millions, and the new sales of the new products that they create, the remote access product particularly, will generate money for them to keep reinvesting.

**Mr Tilson:** Do you have documentation you can present to this committee as to what this whole Polaris system is going to cost in 1992 dollars?

**Mr Daniels:** That financial model, as we were saying, is still under the freedom of information and privacy act.

**Mr Tilson:** So you have no idea of what it is going to cost?

**Mr Daniels:** Oh, we do.

**Mr Tilson:** But you are not going to tell us?

**Mr Daniels:** No. You have asked for that information out of the freedom of information and privacy act. That is being negotiated now. If I release it now, then—

**Mr Tilson:** I have asked for the names but now you are not going to tell me what this thing is going to cost.

**Mr Daniels:** I told you, it is going to cost—

**The Chair:** It is either a question of freedom of information or it is not. They have indicated it is, so I really do not think that—

**Mr Tilson:** I just want to be clear. I have asked for the contracts and the names, but now I am asking as to what this is going to cost. I am asking for the documentation of the government—in other words, the feasibility study as to what this thing is going to cost. I have given the examples of mapping; I have given the examples of certification of title.

**Mr Daniels:** I think I have answered that by saying it is going to cost.

**Mr Tilson:** No, you have not told me what it is going to cost.

**Mr Daniels:** I said \$29 million is what the province's costs will be.

**Mr Tilson:** No. I would like to know what the total cost is going to be to implement Polaris.

**Mr Daniels:** Over the 10 years?

**Mr Tilson:** Yes.

**Mr Daniels:** Right now, going on its present straight line the way the government was going to do it, the cost of it is \$112 million. The new financial models have to be based on what it will cost to move to a remote access and digital imaging system.

**Mr Tilson:** To get to that, you are going to have to remap the province of Ontario.

**Mr Daniels:** No.

**Mr Tilson:** In the original Polaris documentation that I saw in the 1970s, you certainly were. There were whole projects put forward as far as mapping is concerned.

**Mr Daniels:** There is quite a bit of mapping involved, but to say we are going to remap the whole province is wrong. There is a lot of existing mapping information that we will accumulate. That is what we have been doing in Toronto and Woodstock. We did not remap all of Woodstock. There were existing and valid surveys already. What we would do was to resurvey those areas that were old or out of date. We do not resurvey—

**Mr Tilson:** There are lands in most ridings in this province that are not even surveyed. You are going to have to survey those lands. That is going to take an unbelievable cost. It is going to take—

**Mr Daniels:** That cost was fairly high; \$112 million over 15 years is a lot of money for any province to invest. We knew the cost. That included the cost of mapping.

**Mr Tilson:** Can you provide to this committee the documentation that shows what those costs are anticipated to be?

**Hon Ms Churley:** No. As has already been stated, you can apply for that information under the freedom of information act.

**Mr Tilson:** Stop right there. You are telling me that you cannot produce to this committee the cost of Polaris in documentation.

**The Chair:** Mr Tilson, in fairness, I think what the minister is saying, if I am reading it correctly, is that this information is under the freedom of information act and that the crown is bound just as much as we are by that act and cannot act unlawfully. Is that correct?

**Hon Ms Churley:** Yes. Just to clarify, during the early processes there was a letter of intent from RDO. Part of that letter of intent included a financial model which did deal with the kinds of issues you are raising today. It is my belief that Teranet is now in the process of adopting this as part of its business plan. Remember that this is a new company; it is up and running, but because it is very new it is still in the process.

**Mr Tilson:** Will you tell us what the plan is? That is under freedom of information too.

**Hon Ms Churley:** It is not adopted yet.

**Mr Tilson:** It sounds like the whole system is under freedom of information, Mr Chair, which is the reason I brought this application to this committee.

**Hon Ms Churley:** Back to my original statement on this, Mr Tilson. This is no secret deal, which is what I think you are starting to get back to here. This is very open. But as I continue to say, it is—

**Mr Tilson:** You will not tell me who is in it; you will not tell me what it is going to cost.

**Hon Ms Churley:** You are interrupting me.

**The Chair:** Just a second.

**Mr Hayes:** On a point of order—

**The Chair:** You do not have to raise a point of order. Mr Tilson—

**Hon Ms Churley:** Just let me finish.

**The Chair:** Madam Minister, just a second.

**Mr Hayes:** A point of order, Mr Chair.

**The Chair:** Just a second. Hansard cannot take down two voices.

**Hon Ms Churley:** That is a good thing.

**The Chair:** They are probably becoming schizoid up there, so let's let the question be asked and answered. Is that your point of order?

**Mr Hayes:** My point of order is that when we bring people in here as witnesses to get information for the benefit of the whole committee, not just individuals, when we ask them a question I think we should have the courtesy to let them finish their question. That is all I am saying. Ask any question you like, but let's have the courtesy for one another so we can hear.

**The Chair:** Legitimately that is not a point of order but I think it is a point of courtesy, and that is not a reflection, Mr Tilson. I think that in any forum, fairness requires that you allow the person to answer the question.

**Hon Ms Churley:** Just to continue, let me reiterate what I said earlier. This is a private company. Government must abide by the rules of the freedom of information act, that is a fact, so in those areas that protect all private companies, government cannot say, "We're the government and we're going to step outside the law here." We have to abide by the terms of the freedom of information act like anybody else. People can, as you have, apply for information, and the process will continue from there.

This, as I already said, is a financial model that is in the process of being adopted by a private company, and you must go through this process in order to get further information. It is very clear. There is nothing being hidden. There are no secrets here. It is the way the world works in terms of private companies: protecting certain financial information that could be detrimental to the success of the company.

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**Mr Tilson:** This private company is going to have access to tax collection information, property assessment, personal information such as statistics gathered for municipal enumeration, assessment records and a whole slew of other documentation that may not even be available to anyone else.

Following through on what you have just said, can you be specific as to the assurances to this committee about the confidentiality, that this private, unnamed group of people—we do not even know who they are—will maintain that confidentiality?

**Hon Ms Churley:** As has already been stated, this kind of land registry information is already public information, and beyond that the government retains control of ownership of the database. I do not know how much more clear I can be on that; I have repeated it frequently.

What you said is not correct; that is what I am trying to say here. The information you are talking about is already in the public domain and the government continues—I am repeating myself but it is very important that people understand this—to retain control of the information and database.

**The Chair:** Could I just interrupt, Mr Tilson? It is five minutes to 12, and this committee normally adjourns at 12:00. Is it the wish of the committee that we continue this afternoon? If it is, we will continue; if not, we would then want to deal with the motion before 12:00. As the alternative, if the committee gives unanimous consent, we could continue until, say, 12:15 or 12:30 and then do what I have just suggested. What is the committee's wish? Do we have unanimous consent to sit beyond 12 o'clock?

**Mrs Y. O'Neill:** I will not be able to do that, Mr Chairman.

**The Chair:** One member has indicated, but would you be prepared to join in unanimous consent if the rest of—

**Mrs Y. O'Neill:** I would ask permission of the committee or we can return this afternoon.

**Mr Tilson:** I would prefer to return this afternoon, Mr Chair.

**The Chair:** That does not require unanimous consent.

**Mr Hayes:** I do not know if I am in order or not, Mr Chair, but we do have members on our side, the government side, who have other commitments too and have scheduled their time for 12 o'clock. Mr Chair, if I am in order, I would like to call the question on this motion, because I think we have had a considerable amount of input and information on it. I would like to call the question on this motion of Mr Tilson's.

**The Chair:** The only difficulty with that is that if you call the question on it and the motion is defeated, that would end the discussion and there would be no point in coming back this afternoon.

As a matter of fairness, we have had the minister all morning. If it will accommodate her and accommodate members of the committee in their questioning that we



should continue until 12:30, that might be the preferable route to take.

**Mr White:** On a point of clarification, Mr Chair: Are you ruling his motion out of order?

**The Chair:** Yes, I am at this point, until we have had—

**Mr White:** On what grounds?

**The Chair:** The rules of the Legislature allow members to continue asking questions virtually as long as they like.

**Mr White:** After a question has been called? I wonder that, sir.

**The Chair:** There is no debate on my ruling it out of order, but there is still debate to be made by other members of the committee.

I would like to get back to the other issue, as to whether or not we can accommodate the minister by extending the time by unanimous consent to 12:30 to allow further questioning. Would that be ample for you, Mr Tilson?

**Mr Tilson:** My understanding was that this committee would be reviewing this matter this morning and this afternoon. I am in the process of asking a number of questions, and I am sure other members of the committee will have other questions to ask. I find very strange the remarks made by members from the other side that this whole process should end. This was the agenda that was set for this particular committee. I assume the minister has made herself available for this afternoon, because it is on the agenda.

**The Chair:** The minister is shaking her head that this is not the case. I note that we did have 2:00 to 4:00, and certainly that will be the agenda if there is not unanimous consent. However, I gather it will be in the absence of the minister.

Perhaps in light of that you may wish to reconsider your position in terms of—is the minister available until 12:30?

**Hon Ms Churley:** No. I indicated to the clerk when I was notified of this meeting that I have a commitment. In fact, I have to leave at 12 o'clock and I am unable to return this afternoon. I apologize for that. My officials, if it is decided that people should stay, are available for the afternoon, but I simply was unable to clear my schedule to be here for the entire day.

**The Chair:** Okay. I am advised by the clerk that the subcommittee actually had requested staff, and I was quite surprised, in fact, to see the minister here this morning. She has accommodated us by coming.

Having said that, is it the wish of the committee that we continue this afternoon with staff?

**Mr Tilson:** Yes.

**The Chair:** All right. There is not unanimous consent, then, that we conclude the—

**Mr White:** No, it is not the wish of the committee.

**Mrs Y. O'Neill:** Mr Chair, the person who has presented the question usually is shown the courtesy of being given as much time as possible, especially when it has been agreed to by the subcommittee. I certainly think Mr Tilson has the right to continue this discussion, and I would find it very difficult if that were not granted.

**The Chair:** I agree. That was the schedule that was set.

**The Chair:** All right. Since we are not extending the time, we will adjourn now until 2 o'clock. Thank you very much, Minister and staff, for your attendance.

The committee recessed at 1159.

## AFTERNOON SITTING

The committee resumed at 1408.

**The Acting Chair (Mr Morin):** Mr Tilson, I believe you had the floor.

**Mr Tilson:** Mr Daniels, I would like to return—

**The Acting Chair (Mr Morin):** Order. Just a minute, please. Did you want to say something, Mr Hayes?

**Mr Hayes:** Yes, I do. I want to get back to just before we adjourned, to make something clear and clarify what I was getting at when I made the motion to call the question on the motion. There is no way that I was even hinting at or intended to cut back on any member's time, or to interfere with his input or any of his questions in this committee. But if in fact we are here to deal with Mr Tilson's motion, I suggest we stick to the motion, which did not happen consistently in this morning's session. I would just make that very clear. If that is what we are here for, to talk about Mr Tilson's motion, and that is what I understand, questions should be based on that.

**The Acting Chair (Mr Morin):** Thank you. That is what we are here for.

**Mr Tilson:** Mr Daniels, this morning we were talking with respect to the tendering process and I would like to return to that because I am still not clear. Mr Villeneuve referred to a newspaper clipping, which I am sure you are aware of. Ms Francis wrote something on this back in October 1990 and you in turn responded to that newspaper clipping about a month later. I would like to read part of that letter you wrote to the editor and ask for your clarification. In your letter, and I am only going to read the middle portion of it, you talked about the committee establishing the partnership concept and that occurred, of course, in 1987 and 1988. Then you said:

"Then a notice of intent was published on two occasions in major newspapers, including the Financial Post. At a public ceremony on December 7, 1988, a request for proposals was released to 21 interested firms. The media were also invited to that meeting. Of the final three responses to that request, one was disqualified and the other two were examined by the ministry and a team of independent evaluators representing the Canadian geomatics industry and financial and legal communities. Because neither proposal met all the published requirements of this new concept, it was decided additional negotiations were necessary to develop a workable solution. Again, a long list of criteria and a specific process were prepared in advance and released to the two finalists.

"Both consortia agreed to, and accepted, that process. As is standard in any form of bidding, the elements of each proposal must be kept confidential until a final offer has been made and accepted. This ensures the taxpayer gets the best possible deal and that all parties are treated equally. Throughout the entire process the steering committee of deputy ministers reviewed all criteria and selection results and major checkpoints were subject to approval by the Management Board of Cabinet."

The reason I have read that is that frankly I find that a very strange procedure in so far as the tendering mechanism is concerned. In other words, there appeared to be some sort of, not necessarily a tender but a proposal. I have always found it interesting when governments are talking about proposals and tenders. There appeared to be a proposal and not a tender going out.

**Mr Daniels:** I think—

**Mr Tilson:** Perhaps I could just finish, Mr Daniels. Neither of these consortia met that, and then you went back at it again dealing solely with those two consortia—not firms, consortia. My question is twofold. Is that not a strange tendering procedure, looking at what many ministries follow with respect to tendering practices in this province, particularly with the magnitude of this? If initially neither of these consortia, you felt—not you, but the committee—were capable of handling this type of project, why on earth did we deal with either one of them?

**Mr Daniels:** First of all, just to clarify: the government uses words like "request for proposals," and it really is talking about "tender." What they are asking the public to do is to make a proposal. So any kind of "request"—you are using the private sector word "tender"—but when the government asks for a request for proposals, that is basically the tendering process. All ministries call it an RFP, a request for proposals.

Now we went out with something called a request for information, an RFI, first of all. We wanted to find out if there was anybody interested. So you have to go back one step. We have what is called an RFI, and that was a request for interest, and that is where the 72 companies came forward. Recognizing there was a strong interest, then we developed a request for proposal. The request for proposal would be very extensive. In the proposal each company would come and pick it up to read it. It would have all sorts of material in it. In fact, we can provide the committee with that request for proposal. That is the tendering process.

That proposal had a closing date, sealed bids and tendering that would be opened simultaneously. We looked at them as a committee rather than as individuals. I think this is the unusual part. Because we were dealing with such a major and unusual program, it crossed over a number of ministries. It was not just the Ministry of Consumer and Commercial Relations reviewing it. We asked for some help from the Ministry of Natural Resources, the Ministry of Industry, Trade and Technology, the Ministry of Revenue, the Ministry of Municipal Affairs, the city of Ottawa—representing municipal governments—and the federal Department of Energy, Mines and Resources.

Then, as I said, we had private sector companies, besides all three levels of government, reviewing the proposals, and those are basically tenders. So you have three levels of government, the private sector in the case of Price Waterhouse, and Blake, Cassels and Graydon as a legal group, and then that other party we brought in from eastern Canada, called the Cabot Group. It was made up of the University of



New Brunswick and the Maritime Premiers' Council, who are in the process of delivering a geomatic system. We had that kind of expertise to review it.

**Mr Tilson:** As I understand the difference between proposal and tender—

**Mr Daniels:** It is the same thing.

**Mr Tilson:** Proposal means that you are simply asking for their recommendations. You can back off. With tendering, you have made a commitment. If they meet the requirements put forward in your criteria, you are stuck to match that tender.

**Mr Daniels:** The government uses the word "proposal." I have been involved in this for many years. If I was looking for an auto imaging system, I would be looking for a vendor of record, and that would be a request for proposal; or I am going to buy a pile of software and that is a request for proposal. I do not have the Manual of Administration with me, but government uses the word "proposal" when it means tender.

**Mr Tilson:** You may not necessarily take the lowest or the highest person or company?

**Mr Daniels:** In this case, the mandatories and the things we were looking for were partnership criteria, things that would indicate to us that these people wanted to be our partners, not subcontractors, but really partnership, and that is the mandatory things I read into the record this morning.

**Mr Tilson:** Mr Daniels, does the government have a specific policy on proposals/tenders?

**Mr Daniels:** Yes, it does. There are various things in terms of how and where to post them, how long to post, a clear set of evaluation criteria that have to be confidential so that we could evaluate proposals in an objective way. In this case, the proposals went out in December in the three major business newspapers. They came in in February. One of the consortia, Fimtech, asked us to extend the time frame, so we then let the other possible bidders know that the time frame would be extended to give each and every one, because it is such a major proposal, more time. But again that would have to be agreed upon by all the organizations contemplating a proposal.

**Mr Tilson:** Your letter refers to 21 interested firms. When you got down to asking Real/Data and Fimtech to try again, were the others—

**Mr Daniels:** Those 21 basically formed up into those two major consortiums. There was a third bid but it was an individual who withdrew right away because he was thinking in terms of a physical land registry design.

**Mr Tilson:** Are you able to tell members of the committee, because Fimtech has made a number of serious allegations of impropriety about the whole tendering process under this project—

**Mr Daniels:** I think that is not—

**Mr Tilson:** Are you able to talk about that?

**Mr Daniels:** Sure. I would add that it is not Fimtech as a consortium. If you talk to the major Fimtech companies, SNC Group and the Royal Bank, which I have, and

various media have contacted them and they said the process was fine. It was elongated—too long—I think somebody mentioned that earlier—hanging together for two years. I would say that if you talk to the Royal Bank, and I have, it has no concern about the process. If you talk to SNC, which is one of the largest engineering companies in Canada, it had no concern. In fact we have correspondence from them saying they were satisfied with the process. What you are talking about is individual employees within that group who felt—

**Mr Tilson:** What did they say?

**Mr Daniels:** They felt—I am just trying to recall some of the things—

**Mr Tilson:** Mr Adams, I believe. Is there a Mr Adams?

**Mr Daniels:** Mr Adams was a member of Real/Data, not Fimtech.

**The Acting Chair (Mr Morin):** Mr Tilson, I do not think that type of investigation—I think we should stick to the motion itself, please.

**Mr Tilson:** The purpose of this line of questioning of course, Mr Chair, is to determine whether the tendering process of any government project is adequate, and this is an example as to—you are right; I withdraw that; I should not have referred to his name.

**The Acting Chair (Mr Morin):** Please continue.

**Mr Daniels:** I would say that the process of tendering or proposal was probably the most stringent I had ever seen in terms of constant external and internal review: a deputy minister's steering committee, a steering committee of ADMs, a review by treasury, a review by Management Board, a review by the policy and priorities board of cabinet, a review by cabinet and two governments reviewing it with external reviewers and internal reviewers. I do not think you will ever find any proposal ever examined so carefully by two sets of governments, both internally and externally.

**Mr Tilson:** It was rejected by both the first time, and then it went back and there were some negotiations or a new set of criteria. Can you tell us about that?

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**Mr Daniels:** Yes, I can tell you that. The request for proposals by the two organizations fell short of a number of the mandatory requirements, but there was enough information to us in terms of a partnership concept that was still there.

What you had in the first proposal were companies applying to become a partner with government not knowing exactly what government wanted in great detail. Both of them said to us, "If you could let us into your mind." On the first one, we have to look at both of them objectively and we cannot say, "The government is looking for this and this." We would give the broad objectives we are looking for. But they said, "If you let us know exactly what government needs to make a true partnership," and that is where we got involved with the second process.

Both of them had something very important to offer government. They were both bringing technical expertise.

They were both committed and a little bit, as it turns out, more deeply committed to partnership than one or the other, so that is where we came up with that list of mandates.

Then, over the several months, they would be quizzing us. We had 50 meetings, 25 with each consortium, trying to explain those mandates and what they meant to us in terms of equity, in terms of equality at the board, in terms of time line for approval, in terms of how to deal with the successor rights under the Crown Employees Collective Bargaining Act and the crown employee succession act. We were very concerned that they understood they would be getting our employees, so all those things took time to talk to each party about.

At the end of that letter of intent process, sort of like a final bid, they had to give it their best shot. They were told: "This will be it, because we will judge you on this letter of intent. This will be how you stack up." They knew exactly what we were looking for: those mandates. The one that would get the closest to that, basically, would be the company the government would look at in terms of going into partnership with it.

One far exceeded the other in terms of coming together, very close on equity and bringing forward cash, bringing money to the table. One came dead-on on a board of directors that was equitable. One of them came in, the one that was successful, in a shorter time frame. One of them came in on, as I say, a better use of partnership; one had a 50-50 board, the other one talked in terms of a 70-30. So you get these kinds of differences. There were quite significant differences between the two consortia proposals.

**The Acting Chair (Mr Morin):** Are there any question on this side?

**Mr Hayes:** Could you just be maybe right to the point on why Real/Data Ontario was picked over Fimtech Consortium?

**Mr Daniels:** Okay. I have the list here. I will just read it to us right on the button.

In terms of partnership, the government and RDO offered equity on the board, whereas Fimtech had four companies and had split. Instead of dealing with two partners, we were dealing with four and us, and that was causing a difference on how the board would be made up, and in partnership.

Shareholdings were clearly 50-50 in one; in another, it was less than 50-50. Real/Data gave us a clear statement of government ownership of data; that was not clear on the other. One offered us \$29 million of equity, and the other offered substantially less. I do not want to reveal the details of that, but I can say "substantially less." In terms of exclusive licence, Fimtech wanted 15 years. The government was prepared to go for only 10, and RDO came with 10.

You can see quite a substantial difference in all the various important areas where we selected RDO. It would be an obvious conclusion of anybody who would be looking at the two letters of intent which one you would select.

**Mr Tilson:** Ms Corke, you monitor the contract?

**Ms Corke:** Yes.

**Mr Tilson:** What does that mean?

**Ms Corke:** That means there are certain milestones that are set out in the contract, certain deliverables and achievables over the next 10 years, and they are set out in terms of explicit time frames. The company, Teranet, has been going about seven months now, I think, probably since May 29, and I have had an office of a small number of people whose responsibility it is to make sure that Teranet comes in on its dates and on its milestones. So we have a very proactive approach to making sure Teranet delivers on time.

**Mr Tilson:** Who is the president and chief executive officer?

**Ms Corke:** Of Teranet?

**Mr Tilson:** I do not know. I am looking at an advertisement that was in the Financial Post.

**Ms Corke:** Of Teranet, I think. That is a Mr Aris Kaplanis.

**Mr Tilson:** So this would be Teranet.

**Ms Corke:** Yes.

**Mr Tilson:** Who is that?

**Ms Corke:** Who is Mr Kaplanis?

**Mr Tilson:** Yes.

**Ms Corke:** His background?

**Mr Tilson:** Yes.

**Ms Corke:** He was hired actually, I believe, in July by the Teranet board. He has a systems and marketing background with Unisys, I believe.

**Mr Daniels:** Unisys.

**Ms Corke:** Yes, one of the larger companies.

**Interjection:** That is impressive.

**Ms Corke:** He is an impressive guy.

**Mr Daniels:** We had a number of very high profile people apply for that position, and he held, I think, a senior presidency with Unisys Canada.

**Mr Tilson:** Listening to some of the criticisms that have been put forward by the press and by me, in your observation of what this firm is doing—I am speaking to Ms Corke—now that you have seen it just start, is this the type of project governments should be going into, partnership with private enterprise? Would you say why?

**Ms Corke:** I would like to answer it in an objective way, which is to say they are achieving the things they are supposed to be achieving, and they are doing it in the manner in which it was anticipated they would do it. Those things are happening. I do not particularly care to pass an opinion on whether or not that is the general sort of thing government ought to be doing, but I would like to say it is working in the sense that the things we are looking for them to be doing are happening.

**Mr Tilson:** It is a fairly important question, though. One of the big fears, Ms Corke, is the protection—

**The Acting Chair (Mr Morin):** We are discussing general policies, please. I think it is very difficult to put a civil servant on the spot. I do not think it is fair.



**Mr Tilson:** On the other hand, I think, with due respect, it is a fair question if it is not working.

**The Acting Chair (Mr Morin):** You could ask that question of a minister but not of a civil servant. It deals with policy.

**Ms Corke:** I think the sort of bureaucratic response to that, or a response from my position, is to say that the purposes for which it is set up appear to be feasible, appear to be happening. The company is on track, on target as far as its main deliverables are concerned, and so far there is every evidence that it is going to continue to be on track in a successful fashion. So far it has not required any more money than the initial equity drawdown and it seems to be operating well. It is hiring up. The divestment of staff was accomplished successfully back in November when a vast majority of our staff chose to go and work for Teranet, which we felt was a very positive sign. In fact, out of 90 staff, I think we had only about 12 or 13 who chose not to go, which is a very high success rate for us. By bureaucratic indicators, it appears to be quite feasible and capable of operating.

1430

**Mr Tilson:** Mr Daniels, there was an article put forward some time ago with respect to the experimental part of Polaris in Woodstock and other areas. Here it is, the Ontario Land Surveyor, summer 1990. I do not know whether you have seen that, but there were some very critical comments made in this particular article.

If you wonder where I am going, it is with respect to who is responsible for errors and all that sort of thing; I guess the general effectiveness of Polaris. Obviously, it sounded like a great idea in 1974, and in spite of some of my critical comments, I still think it is a great idea. It is just that I have grave concerns over the confidentiality and who is responsible for what.

They talked about obvious human error. The obvious thing, of course, is pumping information into a computer or a machine; the human error element of that and the serious financial repercussions that can be made. This particular article, which is written by Marian Metcalfe, cites the example of "a client who buys a \$300,000 home believing he is getting clear title won't make allowances for his lawyer missing an encumbrance on the title because it didn't show up on the computer printout; nor will he be sympathetic if a \$50,000 judgement was missed because the vendor's name was misspelled on the printout. One title searcher recently reported receiving a printout which showed the transfer (deed) as the charge (mortgage) and the charge as the transfer."

If we are embarking on this very expensive system, I would like you to briefly tell me some of the findings that have been made from some of the experimental areas—Woodstock, and there are several others—as to these types of errors or problems and how they have been rectified.

**Mr Daniels:** First of all, in its land information system, the ministry has an errors and omissions fund, a contingency fund. The amount of money drawn down from that fund in the whole period of time I have been there as ADM is minimal, compared to the hundreds and thousands

of transactions that occur. Each year close to two million transactions occur. We are talking errors and omissions of maybe half a dozen. Those have to be errors and omissions of a clerical nature where the government is responsible. There could be errors and omissions in the legal profession in terms of a failure to search completely, and that would be the lawyer's liability. But in terms of government liability, it is just not there.

The prototype in Oxford county has been operating successfully since 1985, and I have attended user meetings and have not had people tell me there is any problem with the technical aspects of this. Remember, too, there is a process and risk control. Data entry would be double keyed, and all sorts of things would be built in to ensure the accuracy. Quality controls are there. In fact, one of Sue's staff is a full-time quality control person to make sure that in any new standards and in any new processes we develop—because there will be new ones as we proceed—the quality is there.

We are very much as concerned as everybody that the data in terms of land ownership be accurate. As I said this morning, the government is the intake. The government is still responsible for data integrity, because we are the ones who will assure title.

**Mr Tilson:** So it is the government, not the—

**Mr Daniels:** Not Teranet, because it is doing the conversion; we are doing the intake to the system.

**Mr Tilson:** What is in it for Real/Data? What consideration are they getting in this contract?

**Mr Daniels:** They have 10 years, and the business case does not begin to turn any kind of profit to the investors until years 6 and 7. They are in it for the long haul.

**Mr Tilson:** What is the anticipated profit?

**Mr Daniels:** A number of things have to be taken into consideration. There is the international marketing, how much that will generate. Will they get the imaging system up and working so they can have remote access? That is within the Ontario aspect of their business plan.

Let me just say that there are three businesses related to Teranet. First of all is the conversion of information from manual to automated; that is business number one. Business number two is what we call a data utility, the provision of land information data, and that is where the remote access by individual users comes in. Business number three is the international marketing.

Business number one is really a matter of gaining expertise. There is no sort of profitability in converting. What is happening there is that they are going to learn about conversion, about risk analysis, how to do the data entry, about the technology and they are going to understand the legislation, so they are going to be a technology transfer to the private sector from the public. That is why most of our staff had to go. We had the technical knowledge the private sector needed. They learned that knowledge through the technology transfer. They take that knowledge, and they can internationally market. Remember, when you are selling land information systems such as we are, you are selling government to government. You are not selling private sector to private sector.



**Mr Tilson:** What have they to offer? If the government has been running all the expertise, what do they have to offer?

**Mr Daniels:** They are offering international marketing. They are offering the advanced technology. They are offering us imaging technology. They are providing us through EDS with a massive electronic distribution network worldwide. With Systemhouse they are offering us systems integrators, with LIS, the land information systems, we are getting a partnership with J. D. Barnes and Marshall Macklin Monaghan, who are world players in surveying and marketing. We are gaining international recognition and expertise. They are getting technical transfer from us; we are getting international and marketing skills from them, just what a true synergy of a partnership should bring, and I think this is exactly what we are talking about when government partners for the private sector. Governments are not marketers; the private sector is marketers. Governments do not make hardware; the private sector makes hardware. We make legislation, we can do policy on conversion, we can control security and we can deal with the issues of quality product and assurance of land information. So there is really a tremendous synergy among those partnerships.

**Mr Tilson:** I think the big fear that has been surfacing as to this project is, number one, the unknown. We do not know who these people are, we do not know what they are making and we do not know what the deal is. In fact, and this is what I would like you to comment on, the media have made the following statement: "Real/Data will pay the province for the Polaris system out of future registry revenues. The government guarantees Teranet a minimum revenue flow. Teranet may make agreements with any government or agency for new data sources. Both sides agree to keep details of the agreement a secret for ever."

**Mr Daniels:** No. The fact is that you have the master agreement and you will be getting the other agreements as we negotiate those with our partner. We are very much interested in openness as well as you are. But the Freedom of Information and Protection of Privacy Act protects both individual privacy—that is why we are making sure we follow those rules correctly. That is an ongoing process, and I think as it evolves you will see more and more of the information you have asked for, but at the present time it is a long process, a negotiated process. The master agreement is now part of the public domain. You have it, as do a number of people who have requested it.

It is a fairly full document. I think somebody mentioned earlier about the amount of black. Do you see a whole lot of black here? There is one little dot there, a couple of lines here, a couple here. Probably 0.1% of the whole document is restricted, and that would prevent any commercial loss to the commercial part of the venture, but in terms of protecting government's rights—like who owns the data, who controls value added products—the people should see that and do see that. I think the process is very fulsome.

1440

**Mr Tilson:** What prevents this company from taking this information, which you say the government owns, but this private company has exclusive access to—

**Mr Daniels:** They only have distribution access, and we control what new products they develop.

**Mr Tilson:** All right; that is what my question is. They have access. They are the only company that has complete access to the discs, to the database. They can do whatever they like with this information. They can distribute it; they can sell it. All this information—the very fact Bill 126, which is an innocent sounding bill and at first glance seems okay, except that all this information—you yourself were talking this morning about putting executions, judgements—

**Mr Daniels:** As long as they are public databases. As soon as they are private databases, those are restricted.

**Mr Tilson:** I can press a button. I could press Art Daniels and I could find out everything about you, for a certain fee.

**Mr Daniels:** You cannot, no, not really. Just to give an example, when I first joined the ministry in 1987, I went to Woodstock. I was with the deputy land registrar. We went over to the county office, where they had begun to integrate our land information data with some of their planning data within the municipality. In fact Oxford county won a world award, called URISA, Urban and Regional Information Systems Association, for its automated system, which is based on Polaris.

What it told me about the deputy land registrar—that is the name I put in the machine. We pulled up his property. It showed us his house, which is on the map. It is like Star Wars, by the way. The whole county of Oxford would show up on this computer. It is like it is a telescoping down to the concession, to the lot, and it sites his house on the lot. It tells us about side yards, the backyard. He does not have to go into the city offices to get approval to build a garage because they can issue a building permit that there is enough side—this is still public information. It does not tell me anything personally about this person, but it tells me that his side yard is 15 feet. He can build a garage. They can issue a permit. They do not have to go out and measure it any longer. So that is pretty exciting.

Then it tells me—and again this is public information—are there liens on the home? Are there any mortgages? Anybody who is going to buy that house has to know, is it free and clear? It also tells me where the easements are. It would show me on the map where the hydro easement would be, where the telephone easement would be or the city power line or the city sewer was. All those easements would be printed out and he would be able to say: "I don't own that part of the land. People can come in and drop a sewer pipe right through there."

**Mr Tilson:** Will it tell who is living there?

**Mr Daniels:** Yes; that is, the owner.

**Mr Tilson:** Tenants?

**Mr Daniels:** No, it would not show tenants.



**Mr Tilson:** Would it not give the information one finds under the Assessment Act?

**Mr Daniels:** No.

**Mr Tilson:** The size of the house, the quality of the buildings?

**Mr Daniels:** No.

**Mr Tilson:** That information of course is available with most municipalities and would be made available under the Polaris system.

**Mr Daniels:** Not under the Polaris system. That is the municipal assessment system. The Polaris system deals with the information related to title, deeds, ownership of the land.

Interjection.

**Mr Daniels:** In the survey, that is right, the planometric map.

**Mr Tilson:** But it will have access to all this information, all government information.

**Mr Daniels:** No, not if it is private information or individual information; that is protected.

**Mr Tilson:** When I say government information—

**Mr Daniels:** Let me read the agreement, because I think it is very important to hear the wording of the agreement.

Interjection: That may reduce some of the questions.

**Mr Daniels:** Yes, because it really does say what I have been saying myself, but I think you need to hear it.

Interjection: Is this relevant to—

**Mr Daniels:** Yes, it is. I think it answers very much—

Interjections.

**Mr Daniels:** It is titled "Restrictions." It says:

"SAC, the Strategic Alliance Corp"—that is what it was called; It is now called Teranet, but when this negotiation was done it was called the Strategic Alliance Corp—"shall notify the ministry of value added products the SAC intends to make available for use by others and shall include a description of the value added product and how it is to be marketed. Where the ministry determines that the proposed value added product conflicts in some material respect with any applicable statute or regulation or with any public policy, including and without limitation any policy with respect to freedom of information and privacy, the ministry...shall have the right to object to the product."

In other words, they cannot do anything that would violate freedom of information and privacy. They cannot do anything that will violate public policy. They cannot do anything that will violate statutes and legislation and regulation. It is a very restrictive clause.

**Mr Tilson:** They will have access to all applicable statutes. If we just realize that the bill we just passed, Bill 126, covers every bill in the Ministry of Consumer and Commercial Relations, as an example, any government information that is available, whether it is assessment information, which would be the quality of the house, the size of the house, the size of structures on the property, all of that would be available to this corporation.

**Mr Daniels:** No. If the Ministry of Revenue wishes to share the assessment data, that has to be negotiated separately. This contract—we cannot bind another ministry.

**Mr Tilson:** How will we know? I live in a house out in Orangeville, which is where I happen to live. How will I know what you are doing down here in Toronto? I have no idea what you are doing. You will have all this information about me in the government, under different statutes, and this is all going to be in the hands of—

**Mr Daniels:** No.

**Mr Tilson:** But what assurance do I have that you will not have that information?

**Mr Daniels:** The agreement only gives them access to distribute the land information system, which is a public database. You can see that if they do anything to that product, if they add value to it, such as I was talking about this morning, we would have to approve the remote quality product and how much it is going to cost. We set the fee. If they ask for an exorbitant amount of money, if they figure this is a good way of gouging and charging thousands of dollars for a remote hookup, and we say, "No, you've got to show what the cost-benefit is to that," that is government acting in its public policy way. These supermajority clauses in the agreement protect the government.

**Mr Tilson:** I guess what twiggled us to ask that question, sir, was when you say you can make your application for a building permit without having to go because all that is on the machine, the size of the—

**Mr Daniels:** That is land information.

**Mr Tilson:** Of course. That is my point. Every piece of information the government has is in this disc.

**Mr Daniels:** No. The other databases—it is just the land information data that is there in that disc.

**Mr Tilson:** All land information, which includes who lives there, what their ages are, what size the buildings are; all that is there.

**Mr Daniels:** If it is in the land title information, it will be there. That would have the last owner, the mortgages, the history of the transfer of the various ownerships, the amount of mortgages and the history of the mortgages, the payments, who the banks are. Yes, that is all information, but that is all public information. As I said, it has been public information since 1795. It has to be public. That is the cornerstone of the land registry system. What good is it if it is a secret? You would not be able to buy. You would not know what you are buying. You would be buying blind every time. You would be buying a car with a lien on it. You would be buying a house that has a mortgage that was not discharged.

**Mr Tilson:** I guess that is the fear I have as to what they are going to do with that information. You are quite right. I can go and look at a specific parcel of property. There is quite a difference. I go and look at a specific parcel of property in eastern Ontario, for example, and yes, I can find out who owns the property; yes, I can even find out the ages of the owners; yes, I can find out what the mortgages are, and if I search the sheriff's office, I can find out what judgements there are against the current



owners or previous owners that affect that property. I understand that.

The difficulty I have is that I press the button Art Daniels and I can find out everything about Art Daniels in Ontario, property you own in northern Ontario, property you own in eastern Ontario, all your holdings are very accessible with the press of a button.

**The Acting Chair (Mr Morin):** I have to bring you back again to the motion, please.

**Mr Daniels:** But I am saying that information is protected under this section. I said no value added products would be approved. Say somebody developed a product that would go by name. Right now they only search by property number. You cannot search Art Daniels.

**Mr Tilson:** Could you explain to us who controls the cost of this information? I want to get information on a particular piece of property. Normally now I go to the registry office and I pay \$4, I think, or whatever the fee is, and I can look at the abstract book and the instruments I pull out for free, something like that.

**Mr Daniels:** Again, it is controlled by the contract and it says here, "The ministry shall set the fees payable including, without limitation, registration and search fees." The ministry sets the fees, not the company.

1450

**Mr Tilson:** I look forward to receiving the remaining documents about this project and I look forward to finding out what this project is going to cost the taxpayers of this province.

**Mr Daniels:** I think we said earlier that the exposure is \$29 million, not the original \$112 million.

Interjection.

**Mr Daniels:** The users of the system, actually. It is a true user-pay thing. The system pays for itself.

**Mr Tilson:** Thank you.

**Mr Hayes:** One clarification: It really sounds interesting because I think we have all seen cases where if someone sold a piece of property, for example, or bought a piece of property and then wanted to sell it, he or she had to continuously get it surveyed. This process here would eliminate a lot of that. You would not have to have a lawyer, for example, every time you go and say they have to go and do a survey.

**Mr Daniels:** I think I am alluding to that nirvana. Once you move to a land title system the government is the one that confirms title. But even in western Canada, where they have had land titles right from day one, there are still lawyers involved in the sale of land. I do not think it is going to end, and then people still will be concerned about encumbrances and liens and will need the assurance of a lawyer.

**Mr Hayes:** It still may reduce the necessity to continuously survey a piece of property. That would be a great help, I am sure.

**Mr Daniels:** Yes. It should reduce the costs of all those things. Then again, it would be a matter for the peo-

ple who provide the service to pass that saving along. If it becomes less money for the lawyer to produce a land title search than a registry search, a consumer in an informed public could say, "Isn't it a bit easier?" and, "Don't you have the Polaris system to do the searching?" and, "Can I get a break on this?"

**Mr Hayes:** Actually individuals could go themselves. If I were buying a piece of property and I wanted to get—

**Mr Daniels:** Some individuals close their own deals.

**Mr Hayes:** That could make it a lot easier for individuals to do that?

**Mr Daniels:** A lot easier, yes.

**Mr Hayes:** Good; thank you.

**Mr White:** There was a comment made earlier. Teranet, to the best of my understanding, is not a private company but a consortium of RDO and the government of Ontario.

**Mr Daniels:** It is a corporation under the Business Corporations Act. It is a private company of which the province is a 50% shareholder, but it is a private company. It is a shared capital company.

**Mr White:** Thank you on that one. Further, the appointments to the board are four, four and five?

**Mr Daniels:** Four, four and five; correct.

**Mr White:** Now the government appointments are?

**Mr Daniels:** Do you want to know who they are? That is public information.

**Mr White:** It is not really a matter of who they are. Are they ministry employees?

**Mr Daniels:** Some are. Harriet Velazquez is the head of our technology area and Vernon Parrington represents the CAW, I guess.

**Mr Villeneuve:** Do not tell me they were there as well.

**Mr Daniels:** It is important that this board is very balanced. You have a public servant who has been very helpful in the negotiations with the transfer of staff, to ensure their rights, and John Sloan, who is the former Chairman of Management Board of Ontario, and the fourth person, Anne Foster, who was president of Canada Law Book.

**The Acting Chair (Mr Morin):** I understand the subcommittee decided there would be no vote, so I leave it up to you. Would you like to have a vote or not?

**Mr Tilson:** I would, in light of some of the comments that have been made, particularly this morning, and in light of the issues that were raised in the auditor's annual report dealing with security. As I indicated this morning, though not on this particular topic, the auditor does spend a considerable period of time on the security, access and control of information in government minicomputers. The uncertainty as to the cost—I appreciate that both Mr Daniels and the minister have indicated they are bound by the freedom of information legislation; I understand that. But notwithstanding that, with the emphasis that has been put forward by the auditor, I would like to put



forward the motion. I think all of us have copies. I do not think it is necessary to read it unless you would like me to read it.

**Mr White:** No, it is all right.

**The Acting Chair (Mr Morin):** Would you like him to read it?

**Interjection:** Yes.

**The Acting Chair (Mr Morin):** Is there unanimous consent for Mr Tilson to read the motion? Dispense? Dispense. All those in favour of the motion will please raise their hands.

**Mr Tilson:** Mr Chair, I wonder if we could have a recorded vote.

The committee divided on Mr Tilson's motion, which was negatived on the following vote:

**Ayes—2**

Tilson, Villeneuve.

**Nays—7**

Drainville, Hayes, Johnson, MacKinnon, O'Neill, Y, Ward, B, White.

**The Acting Chair (Mr Morin):** I want to thank the witnesses for being here this afternoon.

**Mr Daniels:** Thank you very much, Mr Chairman.

**The Acting Chair (Mr Morin):** This meeting is adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 1458.

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### STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Hayes, Pat (Essex-Kent ND)  
Johnson, Paul R. (Prince Edward-Lennox-South Hastings/Prince Edward-Lennox-Hastings-Sud ND)  
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O'Connor, Larry (Durham-York ND)  
Offer, Steven (Mississauga North/-Nord L)  
Tilson, David (Dufferin-Peel PC)  
White, Drummond (Durham Centre ND)

**Substitution(s) / Membre(s) remplaçant(s):**

Drainville, Dennis (Victoria-Haliburton ND) for Ms Haeck  
Morin, Gilles E. (Carleton East/-Est L) for Mr Conway  
O'Neill, Yvonne (Ottawa-Rideau L) for Mr Offer  
Ward, Brad (Brantford ND) for Mr O'Connor

**Also taking part / Autres participants et participantes:**

Churley, Hon Marilyn, Minister of Consumer and Commercial Relations  
Daniels, Art, Ministry of Consumer and Commercial Relations  
Cork, Sue, Ministry of Consumer and Commercial Relations  
Gillespie, Gillian, Ministry of Consumer and Commercial Relations

**Clerk pro tem / Greffier ou greffière par intérim:** Carrozza, Franco

**Staff / Personnel:** McLellan, Ray, Research Officer, Legislative Research Service







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First Intercession, 35th Parliament

## Assemblée législative de l'Ontario

Première intersession, 35<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 18 February 1992

# Journal des débats (Hansard)

Le mardi 18 février 1992

Standing committee on  
public accounts

Ministry of Health

Comité permanent  
des comptes publics

Ministère de la Santé

Chair: Robert V. Callahan  
Clerk: Tannis Manikel

Président : Robert V. Callahan  
Greffière : Tannis Manikel

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Tuesday 18 February 1992

The committee met at 1411 in room 228.

### ANNUAL REPORT, PROVINCIAL AUDITOR, 1991 MINISTRY OF HEALTH

**The Chair:** My sheet says that we have before us Michael Decter, Deputy Minister of Health, and Ron Sapsford, executive director, institutional health division. Welcome, gentlemen. Perhaps you have an opening statement.

**Mr Decter:** Yes. Thank you very much. I was a little nervous coming here as a relatively new deputy. My anxiety went up when I entered the room and heard someone say it was a shoot-out, but I was relieved to find that was the hockey game, not the meeting.

Let me take you through what we have as an opening. As we get into the questions I will rely on Ron Sapsford, who has a longer history than I do with some of these matters. The essence of what we are here to discuss is the audit that was conducted by the Provincial Auditor at our community hospitals branch and teaching and specialty hospitals branch during the spring and summer of 1991. The report focused on the transfer payments, which then amounted to some \$6.4 billion of operating grants to our 221 public hospitals. The transfer payment represents the vast majority of the activities of those branches.

The objectives of the audit were to determine the status of the Ministry of Health's accountability framework for hospitals to account for their management of operating funds and to assess the adequacy of the branch's monitoring of hospital operations.

The basic conclusion of the report, as I understand it, was that continued implementation of the accountability framework could not be implemented without changes to the Public Hospitals Act, which is currently being reviewed.

The further conclusion was that the branches themselves were operating in a less than satisfactory manner. There were specific comments by the Provincial Auditor concerning branch monitoring activities in the areas of bed closures, financial monitoring of hospitals in surplus and the use of accreditation reports and patient complaints.

In September of last year we provided specific comments to the Provincial Auditor. We believe these have been shared with members of the committee. We appreciate the opportunity to be here to further address the concerns raised. The issues raised go very much to the heart of current ministry policy regarding accountability, retention of surpluses by hospitals and the role and relationship of hospital foundations. There are other concerns related to the internal branch practice and operations.

I think the most important thing for me to say is that there has been substantial change in both of these areas since the audit. The first, and I mentioned it already, is that we are in the process of development of a new Public Hospitals Act. We have had a steering committee conduct rather

extensive consultations over the past couple of years. We are anticipating the report of the steering committee within the next 30 to 60 days. We are simultaneously moving forward, in parallel, on the drafting of legislation. It is my minister's intention to move forward as rapidly as she can to bring forward that legislation to the assembly. I do not want to put a precise date on it, because we have a considerable number of issues to get through. We will not await a full round of consultation on the steering committee report but move forward in parallel on the legislation.

A number of issues were also addressed in a program review of hospital expenditures conducted in the fall. This followed the completion of the Provincial Auditor's work and led to the announcement of a hospital reform strategy which will be implemented with the support and participation of the variety of stakeholders. We have copies, I believe, of the summary of the program review which we could make available to you. I will not take you through it in detail.

One of the additional things we have done is establish a joint ministry-Ontario Hospital Association committee, the joint planning and policy committee, and a subcommittee structure under it. We felt we needed a regular forum. This group, which is cochaired by my minister and Dr Wilma Dare, the chair of the OHA, meets monthly and has regularized, between the OHA and the ministry, a great number of activities that took place before on a more ad hoc basis.

The issues being tackled under this structure are the development and refinement of funding formulas and methodologies, the movement towards transitional funding, finance and accounting policies and practices, operations and service guidelines, as well as overall management practices. We will be involving other stakeholders—consumers, the health care unions, hospitals themselves and district health councils—through this structure, but I think it is important to note that there is now a regular, ongoing and somewhat more structured process for us to jointly tackle these issues.

In October the Minister of Health communicated to hospitals and district health councils a new collaborative process, in which the district health councils were asked to bring together hospitals in respect of the so-called deficit recovery plans and the service aspects that required inter-hospital or hospital-community cooperation to bring hospitals back to zero deficits by the end of this fiscal year. The DHCs were to undertake the coordination of regional reviews to ensure that service realignments to balance budgets would result in no adverse impacts on communities.

I think it is important to note here that we no longer view bed counts as the only indicator of adequate service delivery. It is fair to say that our hospitals are undergoing a transformation. Historically they have been managers of beds. They are more and more managers of services. Some of those services involve a bed or a hospital stay, but many



more services than in the past are performed on an outpatient or an ambulatory care basis. While the debate sometimes centres on beds, we think the debate and the analysis have to focus more clearly on service delivery.

We are continuing to strengthen monitoring as we go into 1992-93. All hospitals will be required to submit not only a budget, but a service and human resources plan. All plans will be reviewed by both the district health councils and our own hospital branches to ensure that necessary regional services remain intact through a period of tight fiscal resources.

We have also made a planning framework available to the hospital sector. Again, district health councils will take the lead in some strategic planning around health services delivery. We have copies of that health services planning framework. I think it is significant to note that it moves the ministry from having a view of bed numbers to having a view of patient days; that is, instead of measuring capacity as a planning target of this system, we are indicating to the hospital sector that we think a better approach is to look at the consumption of bed days on a county basis. We are trying to get them to measure and plan around the service provided rather than the capacity of the system.

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In January of this year all hospitals were asked, and this was on a voluntary basis, to provide the ministry with a copy of their most recent accreditation report. We are incorporating those accreditation reports as a regular feature of branch monitoring activities. We have adopted some new internal procedures for the handling, tracking and monitoring of patient complaints. We are developing an operational procedural manual to bring together the two hospital branches along regional lines and ensure consistency in the handling of patient complaints.

I will conclude these introductory remarks by saying that we are in a challenging time. The period we are facing is even more challenging for the hospitals sector. We feel we have a great deal of cooperative work to do with the hospitals sector and we think we are taking some important steps to equip ourselves to move forward in a constructive way.

I would say—these are observations based on my six months in the job—that the work of the Provincial Auditor was extraordinarily helpful to the ministry in focusing on some of the specific challenges we had to tackle. I will finish my remarks there.

**Mr Cordiano:** You have alluded to a number of undertakings the ministry is proceeding with, with respect to reform of the entire system and the way in which you are approaching health care services. It is obviously to be expected that you are moving in that direction. The focus of our reports and concerns really stems from the fact that from our point of view, we have a lack of monitoring taking place with respect to value-for-money considerations. We would like the auditor to be granted legislative power to do value-for-money audits some time down the road with respect to our hospitals and post-secondary institutions and the like.

We would also like to see, in my opinion, the ministry undertake that kind of monitoring of budgetary considerations within the hospitals on a more value-for-money ap-

proach than we have seen in the past. What kinds of steps are you taking to undertake that approach?

**Mr Decter:** I think this goes generally to the point that we have historically measured the whole health care system, but particularly the hospital system, on the basis on inputs. We have tended to take the view that if we put in \$6.4 billion or there existed however many thousands of hospital beds, that was a measure of system performance. I think it is very true that the 1990s are going to see a very profound shift in measuring outcomes right across the health system, including the hospitals. The question is far more, what are we getting in terms of health status or what are getting in terms of benefit to the population from these expenditures? That is very consistent with the value-for-money approach.

There is a lively debate as to what degree that is an activity that should be going on as part of quality management and quality assurance within individual hospitals, and to what extent the role of the ministry is to set the context for that. We certainly, in the revisions to the Public Hospitals Act, look to structuring in a more forceful way the requirements that exist at the level of individual hospitals.

If I can read your second question, it is, what will we, the ministry, be doing to tackle these value-for-money questions across the spectrum? I will defer in a minute to Ron Sapsford on the specific issue of the auditor's access because that is one I am not as familiar with, although I believe the Management Board secretariat is dealing with it, since it cuts across a number of ministries.

I think we as a ministry have to change our role. Historically our role has been to fund and to some degree to regulate. We have not been as aggressive in asking the outcome questions. We have recently undergone a reorganization in the ministry that was set in motion by my predecessor but which was put in place as of January 20. In that reorganization we have tried to redirect some of our resources towards the outcome questions, but I would say we have some substantial work to do.

There is not the database in place immediately either, although the Hospital Medical Records Institute is working on it, or good consensus on what the right outcome measures may be, although again there is a good deal of work that is done. I think our work in the transitional funding area attempts very much to have money begin to follow activity rather than simply move on the basis of historic allocations. That I think is helpful in moving in the directions that would allow greater insight into value-for-money questions.

I would like Ron to speak to that specific question.

**Mr Sapsford:** The issue of access of the Provincial Auditor, value for money, has been raised in the context of the Public Hospitals Act review. One of the subcommittees of the main committee spent some time speaking with staff of the Provincial Auditor's office. The discussion essentially focused on what models one might use in the public hospitals system. I believe from the Provincial Auditor's view, a model where there is a process of integrity that is measuring appropriate indicators of value for money, that is operated by the hospital using its own resources, but which has the ability to be monitored by both the ministry and the Provincial Auditor, would be an acceptable model.



In the context of the review committee's report, the ideas of comprehensive audit are very clearly included and will form part of the recommendations of that committee. It has been very much on the agenda of the steering committee and I am quite confident it will come forward for consideration.

**Mr White:** Following that very question, the auditor had some real problems in gaining access to information and accounts that clearly were either expenses of public moneys or would impinge directly upon expenses of public moneys. To the best of my recollection there was, from the auditor's report, a pretty inadequate description of why they were denied that access other than that it was not within their purview. Is the relationship between the ministry and the hospitals similarly restricted? The other issue I have is in regard to the transfers of moneys between hospital foundations and the hospitals operating budgets. Are there any regulations, or does the ministry have any purview over those transfers which seem to be extensive and ongoing?

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**Mr Decter:** My understanding, which is limited on the access question, is that what was bumped up against were confidentiality considerations around individual patient records. I am not certain if that was the major problem encountered in that.

With regard to the hospital foundations in relationship to hospital operating budgets, we have significant access both to information and to remedies in terms of the hospital side of the equation. The foundations exist as distinct legal entities which we do not at the moment have good access to either in an information sense or in a control sense. They are quite independent of the ministry. I think the specifics the auditor noted raise some very good questions about relationships between the foundations and the hospitals and agreements and transfers between them. Maybe Ron wants to add more to that one.

**Mr Sapsford:** The access to information issue touched on interpretation of what forms a medical record in a hospital's view. There were certain records the auditor wanted access to where the hospital took the position it would contravene regulatory provisions regarding confidentiality.

To answer the second part, in the Public Hospitals Act, under the investigator provisions the ministry has total access to all hospital records. The Provincial Auditor's office was in a different position from ministry staff in the sense that the same access was not provided for in the Public Hospitals Act for the Provincial Auditor. That is an open question. We have had some discussions about whether the public hospitals regulation should be amended to permit the Provincial Auditor access in the same fashion. The ministry does have access beyond the authorities of the Audit Act.

**The Chair:** Could I just get clarification. I thought Mr Decter said you did not with the foundation funds.

**Mr Sapsford:** I am talking about the Provincial Auditor's concern about access to hospital records.

**The Chair:** But I thought you said the ministry has access to the foundation funds. I thought Mr Decter said that one of the shortcomings is that you do not.

**Mr Sapsford:** The ministry has access to hospital records. My comments only relate to access to hospital records, not foundation records.

**The Chair:** I thought you were responding in the same vein as Mr Decter where he was talking about funds in response to Mr White.

**Mr Sapsford:** There were two questions. One was access to the hospital's records. That is really what I have been talking about.

**The Chair:** Okay.

**Mr White:** I am following the responses. Thank you.

**Mr Sapsford:** The issue about transfers is an issue that is on our table for policy work. The policy of the ministry since 1982 has been that hospital surpluses are kept by hospitals for the purposes of operating or capital purchase. In some cases, surplus hospital operating funds had been transferred to foundations for capital purposes. This is the nature of the confusion.

I should add that in analyses we have done, by far the largest transfers, over time, are from hospital foundations to hospitals, admittedly for capital purposes. The principal function of the foundation is to raise money for the benefit of the hospital. In looking at the transfers of funds between these organizations in total, the hospital system has benefited from the transfers. We are going to be looking at the policies surrounding the way hospital operating fund surpluses are handled and the rules that will govern transfers from the hospital to the foundation.

At this point, the statute does not give us the authority to deal with the foundations, but again this is an issue that has been brought forward for review in the Public Hospitals Act review process.

**Mr Tilson:** Mr Decter, dealing with the subject of the accountability framework that you have prepared with respect to the operation of the various branches, the auditor has had some concerns on this subject and has listed a number of areas that you are aware of. "Interrelated activities of many hospitals and their foundations were not monitored." Bed closures at hospitals were not approved or adequately monitored by the ministry." And so on: "You are aware of the others. I also understand that in the restructuring of the Ministry of Health it is now in four separate divisions, one of which is the strategies—"

**Mr Decter:** Health strategies group. It is four broad groups, down from five previously.

**Mr Tilson:** You are personally looking after that, I guess, because you do not have an assistant deputy minister on that subject.

**Mr Decter:** We are recruiting nationally for an assistant deputy minister. I am wearing that hat in my spare time until we get someone, so I am eager for us to get someone.

**Mr Tilson:** I am sure you are. I am sure you have other things to do. I do not know whether this falls under the subject of strategies. I attended your press conference and listened to your comments on restructuring of the ministry. I am interested in the whole subject of strategies, what some of the strategies are that you are in the process of developing, dealing specifically with this accountability



framework. Can you give the committee more details on that subject?

**Mr Decter:** Let me try, although many of them are live issues in terms of the Public Hospitals Act, in terms of the reform, if you like, or development of strategies around how we finance hospitals, how we flow operating funds, on what basis and how they are accountable to the communities in which they exist, accountable to the ministry for the funds they receive and accountable through their governance for the services they deliver.

I think there are a couple of pieces to where we are going. The program review of hospital expenditures was a very major piece. I think it confirmed that there was a broad consensus among the hospital community at large that we should be moving more money along service lines, if I can distinguish, rather than moving somewhat away from global funding in the past.

The second piece of this is really to get the appropriate legislative structure. I think one need look no further than the investigators' report into St Michael's Hospital to understand, in a worst case, how we do not have the protections we need in an accountability sense. I guess it has been one of my less than pleasant duties since arriving to work through what I think is a reasonable plan for the restoration of the financial health of St Michael's Hospital. But it seems abundantly clear, and the investigators in that case did make recommendations pertaining to the Public Hospitals Act, because they felt there were not the accountability frameworks in place.

**Mr Tilson:** Mr Decter, what I am trying to get at specifically is that as to Management Board of Cabinet's directive on transfer payment accountability, which is the whole subject we are talking about, the auditor has said that hospitals are not even aware of this. If individual hospitals are not even aware of what the directive is, do we not have problems?

**Mr Decter:** I think what I am saying, in the larger context, is that until we get a Public Hospitals Act in place that lets us put some teeth into the accountability framework as it pertains to hospitals, yes, we do have a problem. I will let Ron address the question of what we are doing on an interim basis to try to move forward. We are not here to say we are awaiting a piece of legislation. We are doing a significant number of things to make improvements in the interim.

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**Mr Tilson:** Mr Chair, I do not know what the rules are on asking a series of questions, but if I could follow through on that, the government obviously puts forward certain public moneys to hospitals. When there is a directive, I can imagine Management Board of Cabinet establishing certain areas of accountability. The auditor comes along and says, "Not only are those not being followed, but the hospitals do not even know about them." That has nothing to do with the establishment of amendments to the legislation. Could you comment on that?

**Mr Decter:** I think I will let Ron comment on that.

**Mr Sapsford:** On the framework itself, I think you have to understand what some of the content of it was. The accountability framework was designed to ensure that the basis

on which money was transferred to transfer payment agencies was that there was a reasonable understanding of what the money would be used for in terms of service return.

Very clearly, the ministry took the position that there was a statute governing the creation and operation of hospitals as well as an extensive regulatory framework. The specific and detailed requirements of the Management Board directive where there was a group of agencies that had no statutory framework or regulatory framework would be quite different. In the requirements of the accountability framework, there were many requirements about reporting of statistics and filing of budgets. One that was included in it was monitoring of accreditation reports, which was criticized in this report, but you have to understand that the ministry does receive, on a routine basis, large amounts of routine reporting that are part of the accountability framework.

While it was not adopted and sent out as, "This is the new accountability framework," there are large portions of it that are current practice and have been current practice for quite a long time. The kinds of accountabilities that we felt were new ones or that we wanted to clarify in terms of the transfer payment agencies were the specific accountabilities of the board.

**Mr Tilson:** This is a 1988 directive I am referring to.

**Mr Sapsford:** Yes, I understand.

**The Chair:** Mr Tilson, do you mind if I ask something along with that? I notice that the first report for all ministries was supposed to be March 31, 1991. Can you speak for the Ministry of Health? Was that done?

**Mr Sapsford:** I am sorry?

**The Chair:** It says here the secretariat requested ministries to report annually whether the directive on transfer payment accountability had been audited. The first annual reports were due on June 30, 1991 and were to be used on compliance audits of accountability frameworks completed during the period up to March 31, 1991. I am assuming that the period the auditor did—

**Mr Morin:** You may perhaps indicate—

**The Chair:** Oh, I am sorry. You do not have a copy of that. Maybe we can provide you with a copy of that. I will get the clerk to give you one. I think that is what Mr Tilson is referring to. It is the cabinet directive. They do not use the word "may"; they use "directive." What I want to find out is whether or not the Ministry of Health did that.

**Mr Tilson:** I assume it has not, because the auditor is saying the hospitals do not even know about it.

**The Chair:** That is right; that is precisely my point. Also, the auditor says they did not, or at least he is saying—is that not right?—that this was not done. So it seems as though the directive is not a directive; it is a missile that missed the point, I guess.

**Mr Tilson:** Maybe they forgot to send it.

**The Chair:** That could be. They could have sent it via Canada Post too. Maybe it did not get there.

**Mr Tilson:** Perhaps I could just ask that question. Mr Decter, are you aware of this directive? As numbered, it is Management Board of Cabinet's directive 1-11-1, 1988, and it is entitled Transfer Payment Accountability.



**Mr Decter:** We are certainly aware of the directive and I think what we have been trying to give you was an answer. I think the accurate answer for us to give is that a number of elements of that accountability framework are already in place and have been in place for some considerable period of time between the ministry and the hospitals.

**Mr Tilson:** I guess that gets back to my very first question, because that is not what the auditor is saying. The auditor is saying the hospitals do not even know about it, so I am asking you to elaborate on what you have just said, that it is already in place.

**Mr Decter:** I think our distinction here may be semantic. A number of elements of it are in place and have been in place for some considerable period of time.

**Mr Tilson:** What are they?

**Mr Decter:** I think Mr Sapsford already reviewed that, but the hospitals submit regular financial reports. They submit regular reports to the ministry on activities, bed counts, days of care and so on. What we have been endeavouring to say is that to put the full accountability framework in place requires legislative amendment, and that point, I believe, was supported by the Provincial Auditor in his report. So it is not that hospitals are not aware of accountability requirements; it is that we do not have the ability to impose on them a directive of the Management Board secretariat in all of its provisions.

**Mr Tilson:** I gather then that the contract that has been suggested with the hospitals on the whole accountability—

**The Chair:** Mr Tilson, would you just move forward a little bit?

**Mr Tilson:** Oh, I am sorry. There has not been a great deal of progress with respect to the contract that has been referred to in the past, the agreement between the hospitals, the accounting system and the reporting framework. Is that a fair statement?

**Mr Sapsford:** The routine reporting of hospital, financial and operational information has continued unabated. What we are proposing in terms of the future is that there be an operational planning process that would provide more specific information on changes, year to year, in hospital services levels so that there would be an ongoing monitoring of that. I think the new changes we have made in monitoring hospital output and controlling for clinical diagnoses are also developments the Provincial Auditor acknowledged were important ways of monitoring service and value for money, and we are continuing with that as well.

**Mr Tilson:** Let's get more specific. I get back to the auditor's comment that hospitals have said they do not know anything about this. I therefore ask the question whether or not they do. That does not appear to be denied, so I gather that is the case, that some, if not many, hospitals do not know of it. I am talking about the cabinet directive. On the subject of the ministry developing a manual for hospitals for a consistent accountability system, has that been discussed by the ministry? I am getting back to my very first question to Mr Decter as to, essentially, what are the strategies for improving the whole accountability

process? Can you give us details? How will a hospital know what to do?

**Mr Sapsford:** The accountability framework you are referring to was a document that listed the output of hospitals in terms of days, beds, the types of programs and services and how the ministry would monitor that. The accountability framework as a document, as a stand-alone piece, was not communicated to the hospitals. That is quite correct and the auditor's observation is correct.

The content of the directive and the accountability framework in terms of the specific pieces of information the ministry would monitor are submitted by hospitals on a routine basis. While the framework itself, as you have said, was not communicated to hospitals, the ministry's ongoing monitoring provided a mechanism for the ministry to satisfy the basic outlines of the framework, save and except some exceptions that the Provincial Auditor pointed out, one being the accreditation reporting.

The strategies for future accountability, I think, are relatively clear: the reconstruction of the Public Hospitals Act, making the accountabilities of the board much more specific in the statute itself, clarifying the responsibilities of the board to the minister as well as to the community, improving the operational expectations of hospitals in terms of specifying operating plans that we intend to implement during the course of this next fiscal year and improving the monitoring mechanisms inside the ministry in terms of statistical analysis, and also, as the deputy said, focusing on the outcomes far more than simply the resources in.

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**Mr Tilson:** I understand you are saying that you have the problem of waiting for the legislation to be implemented, but at the same time we have the auditor saying there is a problem with respect to accountability. It is not a question that the auditor's office is saying that. Prior to any legislation being put forward, can you not put forward some sort of manual that would establish a consistent accountability process for all hospitals to follow, as opposed to saying you will wait until the legislation is passed?

**Mr Sapsford:** There are many things we do now with our hospitals along this way. The budget process itself is consistent. The reporting of information, the new process on recovery planning and planning for the recovering of deficit positions is consistent. There is an established process for that, working with district health councils.

**Mr Tilson:** But there is no accountability manual.

**Mr Sapsford:** There is not a specific manual called "accountability," no. As we develop the processes, though, the policy positions go out and the hospitals receive instructions from the ministry on their behaviour and what the process is.

**Mr Tilson:** What is your scheduling for developing a manual?

**Mr Sapsford:** Our reference to a manual was internal, operational to the ministry. As far as an accountability manual is concerned, that has not been contemplated at this point.

**Mr Tilson:** You have not contemplated that at all.



**Mrs Y. O'Neill:** I would like to ask a couple of questions about your relationships with the hospitals. Although all of us at Queen's Park know—we have been listening for at least two, or maybe three years—that beds are not any real indication of service, many people in the community still think they are, and when we get headlines in local newspapers that 50 or 100 beds are closing, that sends out a message that those of us who serve here are often asked to explain. I wonder if you can tell me, as the first part of my question, what kind of communication goes on between the ministry and a hospital when a decision to close beds is made? If there is any communication, what decisions do you have input into, or are these strictly local decisions?

**Mr Sapsford:** It varies, of course. Sometimes the ministry is involved in those decisions after the fact, sometimes long before the fact. What we are endeavouring to do is to ensure that those decisions are not made without information passing, certainly to the ministry, but now we are also encouraging hospitals, before they implement those decisions, to have much broader discussion inside the hospital as well as with its own community and with the district health council in the area. So the general approach we are following is that before those kinds of service changes are made, there should be discussion in the broader communities so that the impact of those decisions can be assessed before they are implemented. In the past, many of those decisions have been viewed as local decisions, within the hospital itself, and communicated to the ministry.

**Mrs Y. O'Neill:** You have told me a very general answer. You have said that you have been involved. How would you be involved? Would this then have something to do with the determination of the hospital's resources? What kind of involvement would you have? I understand what you are saying and I certainly agree with you that there should be much more community knowledge built up over a long period of time and much more rationalization, but I would like to know just how you feel the ministry could be involved or has been involved in this. In many cases, these are very major decisions, a 20% change in services in some cases.

**Mr Sapsford:** The process itself starts with the transfer payment announcement in the year prior to a new fiscal year. In this current year it took place on January 21. That is the basic information from the province that hospitals use in preparation of their next year's budget. It is between that point and the point when budgets are required to be submitted, usually in April or May of the year, that hospitals are working on those plans. The ministry can be informed at any point along that process as the hospital prepares its budget. The hospital would contact the ministry directly to talk about plans of service changes that would be necessitated by the hospital's allocation. So it is the allocation in the first instance that will establish the position the hospital feels it must take to enter into a balanced position, and it is at that point the communication begins between the hospital and the area teams in the division.

**Mrs Y. O'Neill:** And for the most part you would agree with the decision of the hospital, or the hospital board; whoever has been involved in that decision.

**Mr Sapsford:** The ministry's position in terms of the internal decisions about how services should be arranged has been yes, the ministry has relied on the advice of the board and the position the boards take. There are exceptions to that. The ministry in the past two or three budget years has designated certain programs as being protected. In other words, the hospital may not make service changes to a certain range of programs without prior approval, and those programs have been specified in the instructions to hospitals.

**Mrs Y. O'Neill:** Could you give some examples of those, just for the record, please?

**Mr Sapsford:** Cardiovascular surgery, neonatal intensive care programs, dialysis programming, schedule 1 mental health facilities, those kinds of specialized programs. If a hospital wishes to make a change in those kinds of programs, then there is specific discussion that is undertaken between ministry staff and the hospital, but in the general service areas, the board decision is the decision that is taken.

**Mrs Y. O'Neill:** All that having been done and all those budgets and allocations having been lived with or approved, sometimes there have been decisions made to allocate additional funds, usually in the position of deficits. I wonder what criteria or facts and data you use to assess the actual need for that additional funding. In other words, how are you assessing the real total resources of that hospital? Do you include such things as the foundation? Could you tell us a little bit about that?

**Mr Sapsford:** Surely. The last time the ministry was involved in payments against deficits was, I believe, in 1988. At that time, the basis or the criteria you have asked that were used as the basis were, I believe, 65 reviews of hospital operations and money was allocated on that basis. From that point in time, we have established a new process to allocate money to hospital budgets based on the output, based on the case mix and the kind of clinical service they are providing.

Those funds that have been allocated, and there is a formula that is quite extensive that is used to allocate those funds to hospitals based on this assessment, are usually paid at the end of the year and have been interpreted as moneys paid to balance the hospital's budget. That is not in fact the case. What we have been trying to do is to reallocate money from those hospitals that have on average higher costs to provide the same kind of care, to those hospitals that have a lower cost or a lower base that provide a similar range of care. This reallocation technique is a much stronger control on the way the funds are allocated among the public hospitals, but there is in some quarters the mistaken perception that this is money used to bail out a hospital's deficit position. It is, rather, based on a thought-out formula as to how money should be applied fairly to hospitals across the province.

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**Mrs Y. O'Neill:** In a case like this, when you have to make some assessment, do you talk to the foundation's stability or the foundation pot, or whatever you want to call that, even though we know some of the operating funds have gone in?

**Mr Sapsford:** No, that has not been the practice.



**Mrs Y. O'Neill:** You have not looked at that?

**Mr Sapsford:** No.

**Mrs Y. O'Neill:** My final question is this: Part of our review dealt with hospital complaints. I wondered if you could give us five or four or three of the most common kinds of complaints you are aware of regarding community hospitals.

**Mr Sapsford:** Complaints about care, "I didn't receive the proper kind of care." We then spend time finding out what is the precise complaint. In most cases, it has to do with the communication between the staff of the hospital, mostly physicians, in terms of the patient understanding what his particular problem is or the treatment prescribed or the care provided to support the diagnosis. Our follow-up is generally directly with the hospital, after discussion with the complainant. In some cases where it is clear that the patient's complaint relates to the medical treatment or diagnosis, then we recommend referral to the College of Physicians and Surgeons if it specifically related to the medical component of it. Those are the basic kinds of complaints. Someone is not happy with either the way information has been presented or the human interaction.

**Mr Hayes:** My first question is more a complement to Ms O'Neill's. What is the role of the district health council, for example, in ensuring that the necessary health services are maintained within the communities when hospitals anticipate bed closures and staff cuts?

**Mr Decter:** Let me speak to that. I touched on it in my opening remarks. This is a relatively new role for the district health councils. Previously the discussion of bed closures or service realignments was a bilateral, if you like, between the ministry and its area teams and the hospital. But as we have entered a period where we think there is going to be a more rapid realignment of services, we recognized the need last fall for an interhospital discussion; that is, if you have three hospitals in a community and they all decide in terms of their deficit recovery plan to reduce paediatrics beds, for example, you are going to have a very profound effect on paediatric service, whereas if one reduced in paediatrics and another in some other service, you might have a much more limited or no effect.

In October the process the minister put in place was to have the district health councils look at those aspects of the recovery plans that pertained to services. As you can imagine, a hospital with a deficit might propose to do some things that do not have anything to do with service. They might propose to reduce their consumption of energy or bargain harder with their suppliers, and those sorts of things were not referred to the district health councils, but things that touched on changes in service were referred and the district health councils made recommendations in their role as advisory to the ministry on whether they supported or did not support what the hospitals were proposing.

We found that the district health councils played a very important and constructive role. They have historically played more of a role in terms of community health services and therefore they generally have some expertise accumulated on what exists outside the institutional sector. That expertise was valuable to them in looking at the realignment of

services. I think we would anticipate the district health councils playing a stronger planning role around service realignment. The planning framework I made reference to really has evolved out of the health planning branch, which supports the district health councils and looks at moving more towards planning that is needs-based, from the community up.

**Mr Hayes:** I think you have pretty well indicated that the review of the Public Hospitals Act is near completion. Can you elaborate on any of the recommendations that may come forward from the steering committee in relation to strengthening the lines of accountability and reporting requirements between the hospitals and the ministry?

**Mr Decter:** I would say in general that what I am aware of from the review, because we will officially receive it in March, is that it sets out a number of ways accountability could be strengthened. Ron has had involvement in that review and a leadership position. I do not know if we are letting cats out of bags here.

**Mr Sapsford:** I cannot report at this point on the details of the recommendations, but I think it is many of the issues that have been identified here today: the role of the board, the role of the management of the hospital, mechanisms for accountability of the hospital both to the community as well as to the minister and the Legislature, the whole issue surrounding quality of care and what mechanisms are necessary, the issue of comprehensive audit. It will have something to say about foundations and the relationship of foundations to hospitals. It will cover a very wide range of issues affecting the operation and structure of hospitals in the province.

As I said, particularly on the audit issue, we did have meetings—one meeting, I guess—with the Provincial Auditor to discuss the audit issue in relation to hospital operation.

**Mr Villeneuve:** Gentlemen, you are certainly two of the very important cogs in the largest ministry expenditure-wise in the province. Example: We know that St Mike's hospital is in pretty serious financial difficulty. When do you, as people at the head of the Ministry of Health, find out that something is wrong and what do you do about it?

**Mr Sapsford:** It varies.

**Mr Decter:** When we should find out is immediately there is movement away from a balanced budget position and the quarterly reporting we require from hospitals is designed to get us that information. St Michael's Hospital's investigators' report indicates very clearly that the information flow from the hospital's management to its own board to its owners, and the process of audit from the hospital's auditors, was not sufficient to identify accurately the financial position of the hospital, so in the St Michael's case, an annual operating deficit that was probably within the range of ordinary management rolled up into a rather large accumulated deficit of some \$63 million.

In our view, I think that is a worst case. Our monitoring is designed to catch hospital deficits in the year in which they are occurring. Our directives require hospitals to plan to recover from those deficits in the year in which they are occurring, to come to a zero deficit position by year-end.

I think it is fair to say that in the case of St Michael's, all the normal checks and balances failed to function. The



investigators' report sets out a number of reasons for that, including the unincorporated nature of the entity itself. There was some considerable lack of clarity about what the entity being audited was. The vast majority of our hospitals are incorporated and therefore their accounts are more readily identifiable. I think it is fair to say that the Ministry of Health does not escape unscathed in the investigators' report. There are criticisms directed to us: not reacting to things we were aware of, but not officially aware, such as certain decisions the hospital had taken that we knew of but were not officially informed of.

I think it is accurate to say we are taking a more aggressive approach with the hospitals in the wake of that unhappy experience. Our area teams have very strong direction from the minister, from myself and from the whole senior management team, to identify problems earlier and to err on the side of being more aggressive rather than more passive in dealing with them. Again, the investigators' report identified some legislative changes that are needed and those are being dealt with in the Public Hospitals Act amendments—the development of a new act, really. I do not know if you want me to add to that.

1510

**Mr Villeneuve:** If I hear correctly, you knew about it unofficially but not officially? You were not really asked to react, and I guess it is a reaction situation that we have facing us now, as opposed to trying to correct the problem as it was becoming apparent. Do I hear that right?

**Mr Decter:** Let me be careful here. There is not a single situation at St Michael's Hospital. A whole series of actions, including the purchase of a building on Queen Street, were undertaken. Ron will correct me if I get this slightly wrong. Hospitals, if they are acquiring property for use, for hospital purposes, require our approval. Approval for 61 Queen Street East was not sought. Hospitals are not required to seek our approval for the acquisition of non-hospital assets. We have some work ahead of us in the review of the business-oriented new development program which was set up originally to give hospitals another source of revenue but which, I think it is fair to say, led to some excesses that had unhappy consequences.

It is not as though we were aware of the full St Michael's situation. In fact, the reason the minister appointed the investigators team was to get a full picture and it was a lengthy and expensive undertaking to assemble. We were aware of some disagreements between the hospital and the ministry as to what we felt their revenues should be around certain programs, and what they felt they should be. Where I say we are not blameless is that we were not perhaps as hard in saying to the hospital board: "You cannot carry these things as accounts receivable because we do not have any intention of paying these amounts to you. We do not think we owed you that." So that drift contributed to the magnitude of the problem. The root causes, I think, are well identified by the investigators' report.

**Mr Villeneuve:** So we have internal audits, external audits, the Ministry of Health and in certain instances the Provincial Auditor. The Provincial Auditor had some difficulty in obtaining some basic information he felt was very

important in finding value for money. Do you have that problem, then, with some hospitals? Let's get away from St Michael's; I mean in general.

**Mr Decter:** In general, it is fair to say the system has not been viewed on a value-for-money or an outcome basis. We have taken, largely as a matter of faith, that something deemed by the medical profession to be medically necessary is also a good thing and value for money. The emergence of clinical epidemiology as a mainstream specialty is relatively recent. The ministry has funded and will continue to fund a number of activities in that area, but frankly the notion of looking very hard at health expenditures from a value-for-money point of view is gaining tremendous momentum, but it is gaining tremendous momentum relatively recently.

I think there has been a view for a considerable period of time that the system was best judged on the inputs. We are engaged in a rather major shift of emphasis in how we look at health care. I think it is an important and constructive direction. It will be achieved with some amount of anguish because there are a variety of views on the part of providers, physicians and others, as to what is an appropriate role for others in questioning their activities, but hospitals are moving towards quality assurance programs. The requirements being imposed on hospitals in terms of accreditation are getting steadily more stringent in that regard.

To give a constructive example, because there are many good things happening in the hospital community in this regard, I visited Sunnybrook Medical Centre recently and they have an information system in place that lets them look at resource use and the consumption of all resources on a case basis, on a physician basis. For a given procedure, if there are 10 physicians performing that procedure, they are beginning to look at their consumption of resources.

The hospitals are gaining some very significant management tools in this shift. It is relatively recent because for a long time government was the global funder. They did not have to have information at a patient level for billing purposes and did not have it for management purposes either. I think it is fair to say that hospitals have had to invest a lot of money in automated systems to begin to have the information base to manage in a more precise way and to ask the outcome questions. They even asked the case-costing questions. We are still using a methodology that we have borrowed from New York state in terms of how we drive our transitional funding because we do not have a sufficient base yet in Ontario to base it on. That is a change we would like to make. I want to signal that it is an essential direction if we are going to be able to assure the taxpayers of this province that they are getting real value in terms of outcomes for their tax dollars.

This information has to exist at a hospital level and the ministry level. It is going to take a considerable amount of work to get there, to get agreed standards and to get the medical profession on board with this approach. I think their leadership is coming but it is not a completely cooperative process, if I can say that.

**Mr Villeneuve:** In the riding I represent there are three small, community-based hospitals and we are worried that



with the cutbacks and the so-called managing beds out of the system, we may lose one, two or maybe all three of them and that is of concern. Yet I read in the *Globe and Mail*, November 19, 1991, that Toronto General and Toronto Western have an \$80-million patient management computer system that does not work very well. That is a lot of money. This was quite obviously set up to make sure that patients' medical records got well recorded and that somewhere a bell would have triggered. Charts are very common in the hospitals I represent. Who would have had the final say in this \$80-million expenditure?

**Mr Decter:** I believe that expenditure would have been approved by the board of the Toronto Hospital. If I am not mistaken, you will have a chance—is it tomorrow?—to address them directly on that question.

**Mr Sapsford:** That would have been a capital investment and would have been outside the operating vote of the hospitals. They are required to raise their own funds for capital equipment purchase and replacement and it would have been clearly the prerogative of the board to make that decision.

**Mr Villeneuve:** I see those figures as astronomical in relation to what we have to work with in small, rural areas. It is of great concern to me. The playing field, in my humble opinion, is not very level when I see this.

1520

**Mr White:** I have a number of questions. First, the St Michael's Hospital issue you started to go into: I am wondering, within the framework of the issues we have been talking about, if we could discuss, for example, the reform of the Public Hospitals Act. How would that reform have assisted a better knowledge and/or better recovery plan in relationship to that hospital?

**Mr Sapsford:** I think in the first instance that the various pieces of the hospital organization will be much more clarified in what we are considering, the Public Hospitals Act. To some extent, the St Michael's problem resulted from a lack of clarity in the responsibilities of the board versus the owners versus the management of the hospital. What we are trying to achieve in the review of the act is to clarify the responsibilities of the governance structure of the board of the hospital as being the principal point of responsibility for the overall hospital operation. Part of the answer is that there needs to be more clarity with respect to the responsibilities of the various players inside the hospital.

**Mr White:** You also mentioned that with hospitals suffering a deficit, part of their recovery plan would be assisted by the district health council. Have there been comments on the St Michael's problems from the district health council here in Toronto?

**Mr Decter:** Well, no. We were into a dialogue or a discussion with St Michael's around its situation stemming from the investigators' report in advance of the directive, I believe, going to the district health council. It is important to note that there is an agreement between the ministry and St Michael's on an eight-year recovery plan. One of the key elements of that is a role study for St Michael's to look

at what services it will deliver in the future. The district health council will be very involved in that.

I think it is fair to say we do not see the district health council, in a sense, second-guessing the board or the management of an individual hospital. We see their role in sorting out among the hospitals what roles various ones will play and what services will be delivered by each, so that as some realignment takes place, I think the real questions for the district health council will be the specialty services St Michael's currently provides. Should they continue to provide them or should there be some realignment of trauma services or cardiovascular services among the various hospitals providing them? We see a very important involvement for the Metropolitan Toronto District Health Council in the role study and strategic planning for St Michael's that is an essential part of its recovery plan.

**Mr White:** Further, while we are with the DHCs, I have certainly been struck in the last year or so—and you gentlemen certainly have been knowledgeable of DHCs and health planning for many years more than I—that in the health services industry, or industries, we have about as much competition as we have in the automotive trade, if not more. Although the common goal is supposedly all the same, the standpoint of the stakeholders is quite aggressive one to the other. Inasmuch as the DHCs tend to represent, as you had indicated, community-based services, would they not tend to be somewhat held in disdain by the hospital, given the wealth of institutional services they represent?

**Mr Decter:** There is certainly not an overall attitude. There are a variety of district health councils across the province. Some are farther along than others in terms of their broad strategic planning. A number of the ones I have had contact with have a good working relationship with the institutional sector. I think there was a sense on the part of the Ontario Hospital Association that the new rule for DHCs meant change and I think it is fair to say nobody likes the process of change; they might like the results. It did take a little while for them to come round and see that we needed some better way on the ground of having these interhospital issues considered.

We are also finding that some of the competitive behaviour that has been very strong in the past, particularly among the larger teaching hospitals, is giving way to some greater amount of cooperation and joint planning. Although they have some difficulties, and the auditor has paid some attention to some of those difficulties, the Toronto Hospital last fall sent a very strong signal in saying that it no longer saw its role as being all things to all people, that it was going to look at what it was doing from the point of view of, did it need to do it all or could it in a sense narrow its focus and let others pick up some of the roles. That is a very important signal for the largest hospital in the province to give and it has led to some significant opening of doors, but changing behaviour among what have historically been very independent entities and getting them to think in more of a system fashion, to think more of how care can be delivered across facilities, is going to take some time.

There are some good examples, though. I was in North Bay recently and in that community two hospitals have a



joint board and have done a lot of work to integrate their activities, so there is certainly creativity being shown at the field level.

**Mr Drainville:** I want to reflect a little bit on one of the comments Mrs O'Neill made, and that was the view that many people in our public equate the number of beds with the level of care they receive. We know that equation is not only wrong but is certainly difficult for our task as we try to rationalize the changes that are going to be taking place across Ontario. I would like to go even further and say that in my own experience as an Anglican priest, I have spent a great deal of time in hospitals across this province. There are many hospitals that are bloated in terms of the number of beds they have and in terms of what they have tried to do within the community. The institutions are too large for the needs of the community.

Unfortunately we are presently in a situation in which we have to significantly cut our budgets across the board. I would like to put a case to you of a particular hospital that over the last number of years has been rationalizing considerably. It has been involved in community-based health care for quite a number of years and has done things like setting up an after-hours clinic. It has the largest capacity for any area in Ontario. That area, of course, is Victoria county. There is only one hospital in that area and it is running presently at 116% to 120% capacity.

They established an after-hours clinic as a means of unclogging the mess in emergency and they have been reasonably successful in that process. They have initiated many kinds of health care classes, going out into the community and trying to be proactive and help people before they have to come to an institution, trying to serve them within the community. They have a reasonably good relationship with the community health council, which is a good thing, and because of the considerable population of aging people in the area, they have helped to spearhead many programs that have attempted to keep people in their homes, thereby not using institutions.

1530

This all sounds like a wonderful hospital that is moving in the right direction and yet I have some concerns about the transfer payments even in regard to this hospital. Can you give me any indication that when the hospital is so avant-garde in terms of going in the direction the Ministry of Health wants hospitals to go in taking a leadership role, is there any hope that such a hospital, if it finds itself in financial trouble—It does not have significant deficits like other hospitals. In fact, it has too few beds in some senses. Will that kind of hospital be helped, or is the across-the-board decision by the Ministry of Health going to be inviolate? Is everyone going to get the same amount of money and is that the way it is going to be attended to?

**Mr Decter:** Let me try and give you part of an answer and maybe Ron can give you the rest. There are several elements to the financial relationship between the ministry and the individual hospitals. Ron spoke to it earlier. Since 1988 there has been a no-deficit policy. That policy applies to every hospital in the province.

There has also been a shift in the logic on which funding flows. There have been two components to funding. One is the annual economic adjustment, which has been a percentage across the board. In the Treasurer's announcement of January 21, that will be for next year 1% to the hospital sector. But there has been in the most recent years funding that has flowed to hospitals on other than a percentage basis, funding that has flowed on equity lines, growth lines, life support lines. We collectively refer to that as transitional assistance. It really is an effort to, if you like, reward good behaviour, reward hospitals that are delivering services in an effective and efficient way.

To address the issue that I think you are coming at, what are the rewards for a hospital that functions with a lower number of beds and achieves efficiencies? We are currently in discussion with the hospital sector around the use of money above the 1%. The Treasurer indicated in his announcement that there was \$160 million for all the transfer payment agencies. We are endeavouring, in meetings with the Ontario Hospital Association, the health care unions and others, to determine the basis on which we would ask the treasury board to allocate additional money. It is fair to say that we feel very strongly in the ministry that we have to have more money move over a period of time on the basis of services that are being provided rather than on the basis of bed counts or history. That view was confirmed very strongly to us by the program review in the fall, which had a wide participation.

There is good support from physicians, from the hospital association and from the health care unions for the view that you want to have the dollars follow the patients, if you like, and have the dollars follow the most efficient management of the patient outcome.

**Mr Drainville:** There was a flurry of activity immediately following the announcement of the government as to the transfer payments that would be allotted, and I might even say hysteria in some circles in response to the decision of the government. What I was very pleased about is that in Ross Memorial Hospital in Victoria county, the first thing they did was to get the staff of the hospital together and talk about what they were going to do as a community to continue the mandate they wanted to do in terms of serving the needs of the community, and at the same time how they could best help people keep their jobs and keep doing the work they had to do. My view is that this is a model that should be emulated across Ontario. The reason I am saying that is because I am proud of Ross Memorial Hospital. I am proud there are people who are willing to take a very conscious and careful approach to the financial crisis we happen to be in in Ontario.

The last concern I have is in terms of the projects that have been allocated. There is a very particular concern about Haliburton county. We have had discussions before in the ministry around that. There is no question that with the downturn in the economy, this model of health care that has been put forward in Haliburton county is going to be jeopardized in any way because of the difficulties in financing. Is that correct?



**Mr Sapsford:** The proposals for Haliburton of course involve other divisions of the ministry. As far as the institutional division is concerned, we have instituted a brief capital review process, given the projections on operating funds in the next three fiscal years. It was felt prudent to pause and review the capital construction projects to identify those that would have an inordinate operating impact in the future. That process is going on right now. It is not meant as a process to defer capital spending in any way, but rather to focus on those projects where we need to do a little bit more work to ensure that the intention of the project is consistent now with the operating horizons. We are anticipating that the review should be completed before the end of the current fiscal year. I do not anticipate huge delays on projects as a result of this.

**Mr Decter:** Perhaps I might add that with reference to Ross Memorial, I think it is fair to say the hospital is an extraordinary institution in the community. It brings together a wide array of people. We have enormous amounts of evidence coming to us gradually of various hospitals involving all the people that work in them. The OHA passed a resolution some time ago urging hospitals to freeze the salaries of those in the higher income brackets and we have good evidence that is happening across the province.

These things take a bit of time to work their way through over 220 hospitals, but it is fair to say there were some very dire predictions at the time of the transfer payment announcement, particularly in terms of the number of jobs that might be affected. It is clear there will be some number of jobs affected, but the evidence to date suggests that people are finding a large number of ways of cushioning those impacts, finding ways of protecting services and protecting, not every job but a great number of jobs across the system. It is enormously encouraging to see this.

Both the minister and I will be speaking at an OHA conference next week. Trying to gather together all the evidence of how hospitals are coping is actually an encouraging task, given the creativity that is being shown. It is a difficult period. The boards of many of the hospitals bring to bear their own experiences in the rest of the economy and inject a note of just how many others are having to restructure their activities, be they business or otherwise, which is helpful in this context.

1540

**Mr Tilson:** I would like to return to the subject of bed closures raised initially by Mrs O'Neill, specifically the comments with respect to the auditor, who has reminded us of your policy that there would be no bed closures in hospitals that relate directly to patient care without receiving prior ministry approval. The auditor says this is simply not being done. In fact, I will read what the auditor has said:

"We selected 15 hospitals that had closed 770 beds during the 1990 fiscal year and noted that for 12 hospitals there was no evidence of ministry approval prior to beds being closed and no evidence that the branch teams had monitored these bed closures."

It even draws to my mind the situation in the district of Parry Sound where an entire hospital was closed, namely, Burk's Falls Hospital. Of course that is part of the

Huntsville system. The minister did appear in Burk's Falls, but that was after the decision was made. I do not even know what the current status of it is. I gather that decision has been finalized and that Burk's Falls Hospital is ended. There is a whole different outlook of course depending on where you are. This is in an area where the nearest hospital could be in Parry Sound, Huntsville or North Bay and could in some cases result in an hour-and-a-half drive.

Further to Mr Villeneuve's comments on the rural hospital, the ministry's response simply was that it indicated to the hospital sector that hospitals must operate within allocated resources, which is a business decision. This gets to the real question. Whether you are talking about closing hospitals such as the Burk's Falls Hospital or the board is simply closing beds, the ministry obviously must look at all kinds of things. The ministry's responsibility is, "You have allocated funds, but you must ensure that community care and standards are maintained."

On the one hand you are saying you must operate within your allocated funds, but on the other hand how are you ensuring that community care and standards are being met when you allow boards to make these decisions without prior monitoring by the ministry?

**Mr Decter:** Let me take the specific you mention, that of Burk's Falls and Huntsville. I think it is fair to say that in the past, the decision might well have been taken by the Huntsville hospital in conjunction with the ministry. The process that was introduced last fall required a review by the district health council. That review was carried out. The Huntsville hospital recommended the Burk's Falls closure as part of its deficit recovery plan. That recommendation to the minister was supported by the district health council, which was broadly representative of people in that region.

I think that (1) the Huntsville board itself has an obligation to look at the impact on care, and (2) the district health council has well within its mandate that very specific concern about the provision of service. The Minister of Health, having heard from both those entities, visited the area to meet directly with people in Burk's Falls and in Huntsville. We have an operational review of Huntsville under way, but with a somewhat broader mandate to look at the continuing provision of care. You are right that the advice to the minister from the district health council was accepted by the minister following her visit.

**Mr Tilson:** That is the question I am really getting to.

**Mr Decter:** There are two issues here. There is the issue of whether the dollars that are being spent are getting value for money in terms of care. I think the second issue is, how is that care best provided? Is it best provided by the Burk's Falls Hospital or by some other service delivery agency? I think our core concern here is service. But the ministry had a look at this. The ministry looked at all the recommended changes that came forward from the individual hospitals as well as having the district health councils look at them. I am not sure if Ron might want to add something on the historical question of the 15 hospitals.

**Mr Sapsford:** I think the auditor's comments were simply based on an old policy of the Ministry of Health some years ago. In budget instructions in later years, certainly in



the last two fiscal years, the policy position had moved away from beds being the benchmark, as has been said. We were much more concerned that hospitals were moving to outpatient and day surgery as new techniques of dealing with service. The issue about beds specifically, in terms of bed closures, was not the same kind of issue it had been in the early 1980s and late 1970s. There have been some changes in hospital operations and in medical techniques. The policy of the ministry with respect to beds was changing in an effort to reflect those changes. We took the Provincial Auditor's comments in the sense that yes, the policy was on the books—it had not been formally withdrawn—but that clearly the policy of prior approval of all bed closures was not something we would return to.

**Mr Tilson:** I am very concerned. I will pick Burk's Falls. It is not even in my riding but it is an example that perhaps can be best used as a setting that is at least different from the larger municipalities. There is a concern that has been expressed throughout the community as to the proper maintenance of community care and standards: Are they being lessened? All right, so there are not as many dollars, and Burk's Falls is a typical example. Obviously there is going to be a major strain on the Huntsville hospital and perhaps even on Victoria-Haliburton, because the populations in areas such as this quadruple in certain seasons of the year. The strain on hospitals must be very serious. Huntsville is an example. I would like you to elaborate again on how the Ministry of Health is going to satisfy communities such as Burk's Falls that with the closing of their hospital their community care and standards will be maintained.

**Mr Sapsford:** The process the minister has set in motion will to some extent deal with this specific issue of Burk's Falls, to examine just these points, what community services need to be maintained in Burk's Falls so that the kind of erosion you are talking about does not occur. It is still an outstanding question for Burk's Falls. It is back to the question of value for money. If there are other ways of providing services that are more cost-effective, then the ministry's general approach is that hospitals should move in that direction. There are many hospitals in the province where rates of day surgery are 30%, 40% or 45% and there are other areas in the province where they are as high as 60% or 65%. The best practice would argue for hospitals moving to higher rates of outpatient surgery and lower rates of admission as being inappropriate in today's environment and in today's style of medical practice.

To some extent we monitor the behaviour of hospitals on indicators such as rates of day surgery, rates of utilization, their average length of stay, the per cent occupancy of hospitals. There is a range of indicators we look at to judge whether or not this hospital's operation has room for improvement. Often the way hospitals make these improvements is by making marginal reductions in bed capacity to reallocate some services to other forms.

1550

**Mr Tilson:** Do you make those decisions before the beds are closed? In other words, if you are doing that then in fact you are disputing the auditor's comments that the

ministry really was not involved in the process prior to the decision being made.

**Mr Sapsford:** The auditor's comment was that there was not a specific and discrete approval by the ministry, but I would not say we are not involved. Certainly the process we have set up for the current year and future years is that the decisions or plans of the board very much have to be communicated to the ministry before they are implemented. It will give the ministry an opportunity to do that kind of review of hospital service plans.

**Mr Tilson:** Of course the auditor goes even further and says there is no evidence that the branch teams had monitored these bed closures.

**Mr Sapsford:** There was no documented evidence.

**Mr Tilson:** I do not know what you mean by that.

**Mr Sapsford:** To some extent there was no documented evidence in the file that this had been reviewed or that had been reviewed.

**Mr Tilson:** No.

**Mr Sapsford:** But that does not mean there had not been discussion or interaction along some of these lines.

**Mr Frankford:** I would like to ask about accreditation. Can you give some indication of how effective the Canadian Council on Health Facilities Accreditation is for doing this sort of audit work that is needed?

**Mr Sapsford:** Accreditation, up until this point in time, has dealt with structure and process in hospitals; in other words, what resources there are, whether there are beds in the structure, and then the processes inside the hospital: Are there processes at the board level and management level for review of a whole host of issues? The criticism of the accreditation process is that it does not provide an evaluation of the outcomes of care. It makes no effort to evaluate, from the outcomes side, whether the hospital is achieving its mandate. That has been recognized by the Canadian council. They have been doing some research in the last two years, I believe, to try to establish an evaluation mechanism to measure the outcomes of care and to apply them as part of the accreditation process. If there is a problem with that, it is not focused enough on outcomes.

The other issue of course is that accreditation is a voluntary process. There is no mandatory requirement that a hospital participate in accreditation. There is also the concern on the part of the council that accreditation not be made mandatory, as part of the regulatory framework, by provincial governments. They certainly do value the process as being a participative one as opposed to an imposed one. In Ontario hospitals, over 90% are accredited. It is a very popular program in the province, not just with hospitals but also with long-term care facilities. There is a process for public health units as well.

**Mr Frankford:** Does the process give an indication of the financial health of the institution?

**Mr Sapsford:** Not specifically. They will review financial processes in a cursory way: Is there a financial and audit committee of the board? Does it meet and does it review these kinds of issues? But it will not go in and do a detailed



analysis of the financial position or comment on the financial position of the hospital.

**The Chair:** Mr Frankford, I hesitate to interrupt you because you have only been on for a very brief period of time. We are getting close to 4 o'clock and there are two other members, Mr Morin and Mr White, on the list. If I could get unanimous consent that we could sit maybe 10 minutes longer to 4:10, that would allow everybody an opportunity.

**Mr White:** I am sure that with the hour approaching we would have very brief questions.

**Mr Morin:** In fairness to Dr Frankford, I have allowed a lot of time to the others, and I think it would be only fair for him to have as much time as the others.

**The Chair:** That was the nature of my inquiry, because you would have a specific interest in this, I am sure, and probably have far more erudite questions than many of us on the committee. I just wanted to know whether it is agreeable that we could sit for an extra 10 minutes to ensure everybody is accommodated.

We are going to have Toronto General Hospital before us tomorrow, and on the odd possibility that there are questions we might want to ask of you two gentlemen, would it be possible for you to come back on Thursday morning if the clerk indicated that there were questions, so that committee members might be able to get answers from you on Thursday morning? It may not happen, but just on the odd chance it does, is that all right? Is it agreeable to the committee that if some questions arise out of the Toronto General hearings all day tomorrow, we will have them available to answer them? Okay. Dr Frankford, perhaps you would like to continue.

**Mr Frankford:** I think you said the ministry is going to receive the accreditation reports on a consistent basis now.

**Mr Decter:** Yes, those reports have been requested from all hospitals.

**Mr Frankford:** Are you going to have a formal process to identify issues in the reports and to evaluate and follow-up?

**Mr Sapsford:** The accreditation process is important to the hospital. We will work on the assumption that the hospital, in order to keep its accreditation, will be following up on the major issues itself. Our intention will be to review the reports, to document those areas of concern to the ministry, and to note those for follow-up to ensure the hospital has made some movement in its own review of the accreditation report. There are in some cases large areas of comment that would not interest the ministry directly in terms of internal procedures, but certainly we intend to review them with the teams and follow up on those issues that are of concern to the ministry.

**Mr Frankford:** If I can briefly go to another favourite topic of mine around information systems, I think you referred to wanting to get better databases and better feedback mechanisms. It has been my thought, in the areas I am familiar with, that the ministry could do a great deal to set common standards. Are you satisfied with what you got or could you say something about what you are developing?

**Mr Sapsford:** In the area of management information systems, there has been considerable work done over the past 10 years at the national level that all the provinces and hospital associations across the country have participated in. It is called the management information system guideline, and Ontario has just recently set up a committee for its implementation.

In the area of doing cost accounting in case costs and standard definitions of hospital information, we already have the template for it and we are now in discussions with the hospital system about ways to implement it. The deputy mentioned that we still use relative cost information from New York state. It is our intention over the next two years to develop about 15 hospitals that would be able to generate this information from Ontario costs. We are very much trying to develop standards of definition and reporting for both financial and operating statistics, as well as to have consistent reporting of clinical information in terms of clinical diagnosis, so that direct comparisons can be made between relative costs of treatment from one hospital to another. The management information systems are very important, and we are moving forward as rapidly as we can to develop them for Ontario.

I should add that there is also great interest across the country in what Ontario is doing in this regard, so it certainly is not just an Ontario issue.

1600

**Mr Decter:** I should add briefly that one of the strides forward we have made is the reregistration of the entire population of the province with unique health numbers. We have moved from a situation where we had some 23 million to 25 million health numbers outstanding for a population of 10 million, which led to enormous numbers of data problems right across the system, to something that more closely resembles the 10-million population. We are going to take a number of steps that have been recommended to us in an audit sense to keep the registration clean into the future, because it is a very valuable asset for us in all the systems, hospital and otherwise. I think we are ready to declare victory on the reregistration and put our effort into keeping it up to date.

**Mr Frankford:** If I can just make an observation that you can respond to, Mr Sapsford mentioned the diagnostic classification. The diagnostic classification provided by the ministry that I had to work with in the office left, I thought, a lot to be desired, and it had not been updated for many years.

**Mr Sapsford:** There would be a difference between the diagnostic and the billing code versus the one hospitals use for the diagnosis of their patients. The diagnostic coding system in hospitals is based on the international classification of disease, which is an international standard for nosology, or diagnosis. That is the required standard for hospitals in terms of the data they submit. We have just recently completed, in cooperation with the Ontario Hospital Association, an audit of those data to ensure that there is consistency and validity in the way individual hospitals are classifying and coding their patients. While there was some room for improvement, on the whole the results of that audit



showed there is relative consistency and comparability in the way hospitals are actually recording their diagnostic information.

**Mr Morin:** I am referring to the auditor's report on the accountability of hospital boards to the ministry. Have you ever considered appointing a representative of the ministry to the hospital board? After all, we are spending 85% of our money to finance hospitals. If you were in private enterprise you would have—I would have, certainly—a representative on the board itself to make sure the money is well spent and to make sure it is a good relationship between me and the board and the company. How would hospitals react to that?

**Mr Decter:** You are asking three questions there. Have I ever considered appointing a representative to a board? There have certainly been moments since I arrived when that had enormous appeal. I think it is fair to say the minister has that capacity, so it could be done. I think it is also fair to say that there would be enormous resistance from the hospital community to those appointments. The attitude of the hospital community, generally, is that they are entities at considerable distance from government in terms of their governance and their independence, and they place great emphasis on that.

There are some hospitals where the government, by order in council, appoints some number of representatives. Those situations exist, but I think it is fair to say that the practice taken has been to appoint members of the public, not of the ministry, to hospital boards.

I think I would defer to the rather difficult governance debates within the Public Hospitals Act review, but I do not think an answer would be for the ministry itself to become a series of directors on boards. One, the numbers would simply be overwhelming. Two, I think the ability of one ministry representative on a large board to carry the day would be—we would be there, but probably would be held accountable for decisions we had little influence over. It is not the same as exercising the stewardship that comes with an ownership position in a business. We are the stewards of the taxpayers' dollars in terms of the hospital system. I think all these questions go to how we exercise that stewardship, but I would not be prepared to advise my minister that a good way to go would be to put a single ministry representative on each hospital board in the province. I do not know if Ron would want to comment.

**The Chair:** Mr Morin, it is a logical question, but unfortunately it is a political question.

**Mr Morin:** I know it is and that is why I ask it. At the same time, okay, let's say that you would hesitate—

**Mr Frankford:** Your question was about ministry representatives as opposed to appointments by the minister.

**Mr Morin:** Ministry appointment, exactly, because it seems to me that when I look at the auditor's report there is a lack of communication, a lack of understanding of the regulations themselves, and why not have somebody on the spot—

**The Chair:** They would be on the spot too, believe me.

**Mr Morin:** —who is there permanently affixed to the hospital, taking care of your interests and making sure the regulations are being followed. You are not there as a policeman but as a help. Therefore you are assured the monies are well spent. Is that not what we have to look for? We have to make sure the taxes I pay and everybody pays are well spent and the service is also well given.

**Mr Decter:** I think we share the objective completely. This may well be a better question to put to the minister than to officials.

**The Chair:** I was going to say I do not think it is fair to ask a bureaucrat, albeit a senior bureaucrat, that kind of question. That really is a policy question. But as an aside to that as Chairman, I have to say that is very logical. Unfortunately business does not operate the same way as government does. There are those sort of overlying political considerations, but I think that is not a fair question to—

**Mr Morin:** But I seem to detect a tone of—

**The Chair:** I think he agrees with you, but he is not going to say that, obviously.

**Mr White:** One of the things you mentioned earlier, Mr Decter, really piqued my interest and had some resonance. You mentioned both the amalgamation of a couple of hospitals at the administrative level in the North Bay area and also how well many local boards and communities were responding with the limited financial situation we are in.

I just want to comment that certainly that has been the case in my community. The two hospitals are merging, at least at the administrative level, and the board members have shown a great deal of creativity in dealing with the structural problems. I think they should be commended in that regard, and through that amalgamation, through that restructuring, they should be able to offer, if not the same level of service as last year, possibly even a larger level of service on a very small level of increment. They were very thankful for the support your ministry has been able to offer them. I think that, dealing in difficult times, your ministry has been able to surmount some of those challenges and assist people in the community in so doing.

**Mr Decter:** Thank you. Perhaps I could just add that sometimes when one is dealing with difficult situations, it is easy to lose sight of the enormous amount of good governance that goes on throughout the hospital system and to lose sight from time to time of the enormous numbers of hours put in by volunteer directors of hospitals across the province. I think it is fair to say that we value greatly both the creativity and the dedication of those directors. We share very much the view that we have to find ways of strengthening accountability. We also have to balance that against the requirements to keep those volunteer directors feeling there is a balancing of their time and commitment and responsibility with the accountability. I think there is a point to be considered in the nature of the system, which is a system that has a great deal of citizen involvement at various levels historically, and a great deal of money. Although the taxpayer shoulders the majority of the burden in an operating sense, there is still a very major role played

by communities and fund-raising, and I think that balance is important to the health of the system.

**The Chair:** Mrs O'Neill, I understand you have une petite question.

**Mrs Y. O'Neill:** I want to apologize for having a meeting I could not change, but I did have one short question on the transitional funding. I was approached by an executive director of a health facility last Saturday night and it was stated to me by him, and I think he is a pretty knowledgeable person, that the hospital incentive funds are now being phased out. I was not aware of that. He seemed to be pretty sure of it and was discussing it with a person who is working under a hospital incentive fund in the Ottawa area. I wonder if I could have any update on that kind of information.

**Mr Decter:** The hospital incentive fund remains in the base budget of the ministry. It provides funding on a project basis, so it is conceivable that someone could be working on a project that had been funded under the hospital incentive fund and that project would have a specific life, but the fund itself continues as an important feature of our base budget.

**Mrs Y. O'Neill:** It is not under any review at the present time then.

**Mr Decter:** It has been funding on a project basis for the last three years and there may be some shift in the direction. In other words, the kind of projects that would qualify for funding may change, based on discussion with the hospital system itself, but the fund, in the sense you have described it, is not disappearing.

**Mrs Y. O'Neill:** Thank you. I had not heard of it myself and I wanted to verify it.

**The Chair:** I want to thank you very much for coming, and I have a message to send back to the Minister of Health, with love and kisses. This is not a political comment, because I think our government or the Tories should have done it.

I think it is absolutely outrageous that psychologists are not covered under OHIP and that we actually force people who could be dealt with by psychologists very effectively to go to psychiatrists at, what, \$106 an hour. It is not to put the psychiatrists down, but that is an issue that should definitely be looked at. You have people out there who have kids who do not have the bucks to pay that shot and their kids are suffering as a result of not being able to get that treatment. My experience in 30 years of practising in the criminal courts is that psychologists very often could do a hell of a lot better job than the drugs that are required by some psychiatrists who consider drug therapy to be the be all and end all. I certainly hope you will take that back to Frances. I have found her to be very communicative and I hope she will look at that. That is my final message of the day, yours sincerely, chairman of the public accounts committee. Thank you very much for coming and we look forward to seeing you on Thursday.

**Mr Decter:** Thank you very much and I will be delighted to convey that message, although I think without the hugs and kisses. I will leave that to you to convey in a more direct way.

**The Chair:** All right. We might have a mixed marriage if we did that, you see.

The committee adjourned at 1615.



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## Official Report of Debates (Hansard)

Wednesday 19 February 1992



## Journal des débats (Hansard)

Le mercredi 19 février 1992

### Standing committee on public accounts

Annual Report,  
Provincial Auditor, 1991

### Comité permanent des comptes publics

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# LEGISLATIVE ASSEMBLY OF ONTARIO

## STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday 19 February 1992

The committee met at 1011 in room 228.

ANNUAL REPORT, PROVINCIAL AUDITOR, 1991

TORONTO GENERAL DIVISION,  
TORONTO HOSPITAL

**The Acting Chair (Mr Morin):** Good morning. My name is Gilles Morin. I am the Acting Chair. Mr Powis, I would like you to introduce the people who are accompanying you.

**Mr Powis:** Would it be appropriate for me to make an opening statement as I introduce them?

**The Acting Chair (Mr Morin):** Certainly.

**Mr Powis:** Thank you. My name is Alf Powis. I am vice-chairman of the Toronto Hospital board of trustees. On behalf of the board I am pleased to be able to respond to questions that have arisen as a result of the inspection audit of the Toronto General division, as outlined in the 1991 report of the Provincial Auditor.

Joining me today is Naju Shroff, a partner in the firm of Arthur Andersen and Co and a trustee of the Toronto Hospital. Naju currently chairs our audit committee. Along with Naju is Denise Arsenault, our new vice-president of finance, and Dr Alan R. Hudson, president and chief executive officer of the Toronto Hospital. Prior to his becoming president last July, Dr Hudson was a practising neurosurgeon and surgeon-in-chief at the Toronto Hospital.

Unfortunately Peter Crossgrove, our board chairman, is in Australia and is unable to be with us today. He did, however, want me to repeat what he wrote in his response to the receipt of the auditor's report. Let me quote:

"We acknowledge and thank you for the report covering your inspection audit. Your report has been reviewed with our audit committee, finance committee and with the full board of trustees. We appreciate the time taken by your staff in reviewing the inspection audit results, and particularly the comments made by your senior staff to our trustee representatives indicating the excellent cooperation by the hospital staff."

The inspection audit provided an excellent opportunity for both the hospital and the staff of the Provincial Auditor to review our policy and procedures in relation to the funds that flow from the provincial government to run what has become known as the flagship of Canadian hospitals.

With the support of both the Ontario government and the community we serve, the Toronto Hospital is today a 1,200-bed, university-affiliated teaching hospital, treating more than 4,200 inpatients and 550,000 outpatients on an annual basis. In addition to patient care, the teaching programs of the hospital are the largest in Canada and include specialties from nursing to neurosurgery and from chiropody to cardiovascular surgery. All in all, there are more than

150 such specialty teaching or academic programs based at the hospital. Not to be forgotten are the tremendous research accomplishments of the Toronto Hospital. The opportunity afforded our researchers by a "bench to bedside" approach to research has enabled the staff of this hospital to significantly change the practice of medicine here and around the world. As citizens of Ontario we have much to be proud of in the field of medicine, and much of that pride has emanated from the Toronto Hospital.

As you will know, there have been numerous changes in the hospital field in the past five years. Never before in the history of hospital care in Ontario have there been so many significant changes in the way health care is delivered. The amalgamation of the Toronto General Hospital with the Toronto Western Hospital in 1986 to form the Toronto Hospital was one such major change. Not without controversy at the time, the merger, now more than five years old, has created centres of excellence at both sites and has eliminated much of the duplication of services that existed pre-merger.

While we have not tracked the merger savings, nor did we ever set out to do so, I can tell you definitively that the merger has saved millions of dollars. These savings have been redirected into new programs and state-of-the-art equipment designed to meet the increasing demands on the health care system at a time when provincial health care dollars are shrinking and making it very difficult to manage.

One of the best examples I can use to demonstrate this point is in the area of AIDS treatment and research. In 1985, the treatment of patients with AIDS or AIDS-related illnesses was in its infancy. The total number of patients treated was small and the support services virtually non-existent. Today the hospital has two large, active AIDS clinics and is now following more patients than any other hospital across Canada. We are in fact the major referral centre in Ontario and diagnose more than a third of all new AIDS cases in this province. Each week of the year we see seven new patients, all of whom over time will become sicker and require increasing amounts of care and resources, with many of them having multiple admissions.

In addition to the treatment of these patients and the education of health care professionals with respect to this disease, the clinics are engaged in the development of investigative medication and have extensive participation in research studies. Both clinics now provide a unique environment in which the complex psychosocial and medical needs of these patients are cared for in one unit. They also have import links with inpatient units, the medical day unit, as well as community physicians and resources.

As I said earlier, the report of the Provincial Auditor has provided us with the opportunity to review many of our systems. Concurrent with that review, we have seen an almost complete staff turnover in the financial management



areas. Since the audit, we have a new vice-president of finance, a new comptroller, a new manager of patient accounts, a new manager of the treasury, a new chief operating officer and a new president.

I should also point out that at the request of the provincial Minister of Health, a meeting was held on December 9 with the provincial auditors, the hospital's external auditors, our chairman of the board and the chair of the hospital finance committee. At that time the issues with respect to hospital financial systems and the restructuring of both the finance and internal audit departments were reviewed in considerable detail. I am told that at the end of that meeting all the parties were satisfied that any outstanding issues had been dealt with. We will be happy to be more specific about these during the question period.

As well as the question of merger savings, in the auditor's report questions arose regarding the hospital's position with respect to the acquisition of our new computer system. This was a major capital expenditure, a multi-year project, and highly innovative in that we were attempting to move the flow of patient information, including the ordering of tests and the results of those tests, directly to the bedside. Nurses, for example, were found to be spending up to 40% of their time moving paper at the nursing station rather than on direct patient care.

To include this computer project as part of the annual equipment acquisition budget would have eliminated any possibility of replacing needed equipment in other areas or implementing the system to our specification. Hence, we elected to fund the project using our own funds over a multi-year schedule. It was our agreement with the provincial audit staff, from the outset of the inspection audit, that the Provincial Auditor was looking at the use of funds flowing from the Ministry of Health and that therefore the acquisition of the computer system was outside the mandate of the auditor.

In a recent speech by the president of the Ontario Hospital Association, Dennis Timbrell noted that:

"Maximizing productivity through the use of computers is not something that has come easily to hospitals. General industry in the United States spends an average of 7% to 10% of their operating budgets on information systems. For hospitals, the figure is 2.5% to 3.5%. In Canada, the figure for many hospitals is 1% or less."

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We at the Toronto Hospital recently reviewed the entire computer project both internally and externally. The results of that review indicated that we are currently spending only 1.7% of the hospital's total operating budget on information systems. This percentage includes a number of applications totally unrelated to the new patient information system in question.

I am sure you will have a number of specific questions in these and other areas, so I will not take any further time. I just want to say that we are very proud of our institution and the difference it makes in each of our lives.

The Public Hospitals Act of the province of Ontario clearly states that the board of trustees is totally responsible for the administration of the hospital. The Toronto Hospital board of trustees has a unique configuration in

that it is totally representative of the community we serve. We are confident that the institution is well managed, fiscally responsible and ready, willing and able to meet the challenges of health care in the years ahead. We thank you again for the opportunity to present the work of the hospital to this committee. We will be pleased to respond to your questions, and if we do not have the answers, we will find them.

**Mr Villeneuve:** Mr Powis, thank you very much. Yesterday I was questioning the deputy minister regarding the operation of your computer system. There appear to be some reports in the press—first of all, is \$80 million close to what was invested?

**Mr Powis:** Denise?

**Ms Arsenault:** No, the \$80-million figure is a figure that covers many years and represents both capital costs and the operating costs as well. Any hospital of any significant size has operating expenses related to systems operation. The 1.7% of our budget Mr Powis was referring to that is required for the operation of both the patient care and financial systems is included in that \$80-million figure and it covers an eight-year period. So it is really looking at apples and oranges and going over a very long period of time.

**Mr Villeneuve:** So it is both directly and indirectly revolving around the capital expenditure and many things that came prior to that in order to get at the—

**Ms Arsenault:** And not simply the patient care system.

**Mr Villeneuve:** Mr Powis mentioned that 40% of the nurses' time was shuffling paper. With the bedside computer replacing the chart, do you feel it is coming to pay dividends? Would you do it again? Are you satisfied? Have you saved lives with it? Your comments, please.

**Mr Powis:** I should say that we inaugurated the effort to install the system back in the days when I was chairman of the board of Toronto General. I think it was 1985 or 1986. I have had a lot of experience with computer systems that go wrong, that do not work the way they are supposed to, and I was extremely nervous about embarking on this, but I was persuaded that if we could do it and if we could make it work the way we hoped, it was going to be a very good investment for the hospital. I leave it to Alan Hudson to tell you how it has turned out.

**Dr Hudson:** We have just concluded both an internal and a very substantial external review of the entire system in terms of its function and the technological and financial aspects. The recommendation of both the internal review and the expert external review is that the entire project is working sufficiently well that we should keep the system and continue to refine it.

To answer your question more directly, there has been a clear-cut improvement in function, so although the system has not been perfect, the end users, who I think are probably the best judges, are now of the opinion that we should continue with the system.

**Mr Villeneuve:** Are you aware of any other similar system either here in Ontario, Canada, the United States or elsewhere?



**Dr Hudson:** As part of that review we have looked very carefully at alternative systems, because part of the review was to make a decision as to whether to continue with the system we currently have, change the system or develop a hybrid. We looked very carefully at alternative systems. From the beginning up till now there has been no comparable system. This is a unique system in terms of its comprehensive nature relating to patient care. So the answer is yes, we have done a very careful survey, but the specific feature of this—its very comprehensive nature—is not duplicable within any other system.

**Mr Villeneuve:** Dr Hudson, while you have the floor, I understand that there has been a mission statement pursuant to the auditor visiting the hospital. I understand—I think it was referred to by Mr Powis—that there has been, to some degree, a change in direction. Could you possibly advise the committee how this is happening and what you feel about the new mission statement and the direction you are going in now?

**Dr Hudson:** Yes, I would be pleased to do so. First, I would make a distinction between the new mission statement and the statement that went before. I will not go through the obvious features of our mission in patient care, teaching and research, because those are common to both the old and new statements. There are two very distinctly new features in the mission statement which has been accepted by the board of trustees, as you say, since the visit of the Provincial Auditor.

The first component is that the hospital will prioritize its activities so that, in the face of budgetary constraints, the hospital will not cut back across the board but will prioritize cardiac sciences, neurosciences, oncology, that is, cancer, and transplantation. This position of defining more specifically what the major programs of the hospital will be was discussed with the government and forwarded to Mr Decter. In fact, Mr Decter has publicly commended the hospital on this role of defining more clearly what the hospital's business is about.

The second component of the change in the mission statement is the reciprocal part of that, namely, that the hospital will work within a group of hospitals. It will no longer be the general hospital, but part of a group of hospitals which are part of the health science complex situated around the medical school. The specific point of that is twofold. One is that if the Toronto Hospital subsequently de-emphasizes a component of its function, that function obviously must be picked up by a sister hospital in that group, and vice versa.

The financial implications of the internal prioritization are that the financing of the hospital will be more and more directed to the items I have mentioned. With regard to the group component, the health science component, the financing of hospitals will change according to the shift of programs which may occur between hospitals. The ministry has already issued guidelines as to how that is to be accomplished and the way in which the money will go along with the program transfer. That issue will be discussed first at the Toronto Academic Health Science Council with regard to the particular group of hospitals I have

referred to. Subsequently TAHSC will refer this to the district health council, which in turn will report directly to the ministry.

**Mr Villeneuve:** Dr Hudson, the deputy minister mentioned yesterday that there was not really a great deal of value for dollars in the health care system to this point. This is now starting to come to the fore. Do you feel that under the new mission statement and the way you have reorganized—I know it is difficult to yardstick dollars and human lives and human health, but do you feel that you now have a more efficient and better working arrangement within the hospital and with the Ministry of Health?

**Dr Hudson:** Within the hospital we very clearly have a significantly better system both in terms of personnel and systems. We have a long way to go. We are committed to doing just that, following the point of financial efficiency and making certain that everyone gets the best return for the dollar. So that we are committed to that, we reviewed those changes, which are all directed in that line, with the Provincial Auditor at the December meeting very specifically so that the Provincial Auditor could get the flavour of the significant number of changes which occurred very shortly after his visit.

**Mr Villeneuve:** Quite obviously, a lot of hospitals are underfunded. I believe your hospital has been specializing in transplants. I think one example was cited, a liver transplant being remunerated by the Ministry of Health to the tune of some \$60,000 when indeed the cost was somewhere in the area of \$100,000. Could you, for the sake of the laypeople on this committee, explain how you arrived at the \$100,000 cost of a liver transplant?

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**Dr Hudson:** Specifically to answer your question, we constructed what is called a care map, which is a critical pathway concept. For each of the numerous days that patient is in hospital or pre-hospital, the specific tests and the specific consultations are all written out in order. We constructed the algorithm of the treatment decisions. There is very careful mapping of what actually happens to a liver transplant patient, the tests and the consultations. Then each one of those of items was costed, and that eventually came to a total which we felt was significantly higher than what we were being paid.

We then worked very closely with the government over a period of months, because at the same time the government was coping with the problem of a new and expanded program. This is an issue which is different year by year. They were having to cope with the financing of a new and very expensive program. We worked very closely with the government, exchanging the information. We presented them with our costing mechanism. Eventually, after a very careful consideration of the province-wide issue and the hospital issue, they flowed additional funds to us on that specific line, namely, to cover the liver and lung transplants.

**Mr Villeneuve:** This is unique to the transplants of these organs. This is cost-plus compared to if another patient were using this particular hospital bed?

**Dr Hudson:** Absolutely. I believe the ministry and the hospital both are of the opinion that the ministry has already



paid for the operating room and the ward. This is an additional cost.

**Mr Villeneuve:** The buzzword around the Ministry of Health is "managing beds out of the system." They used to call it something else prior to coming to power. That is politics, I guess. Within your particular hospital, Dr Hudson, I believe some downsizing has occurred, particularly since you have been at the helm. Could you just explain a bit what has happened here to personnel and to the managing of beds out of the system?

**Dr Hudson:** Yes, you are correct. We have downsized the hospital from July until now, and there are personnel components to that. In fact, the logic is the reverse. The hospital spends between 65% and 70% of its outflow on salaries, and when we are faced with the problem of managing a financial problem, which the Toronto Hospital had, and preparing ourselves for what we knew was coming down the pike—which then I thought was going to be 2, 2 and 2; in fact it is slightly less—it was clear we had to stem the flow of money. As I say, 65% to 70% of most hospitals' outflow is on salary, so one of numerous techniques we used to get the finances in order was to reduce the number of cheques we were cutting every month. That then resulted in a layoff of 159 people. That in turn meant that we did not have sufficient personnel to manage the beds, which resulted in the closure of those wards.

We were closing the hospital down around the practice, because the hospital was running in the neighbourhood of 75% occupancy on the wards. Certainly on the surgical wards we would aim for about an 85% occupancy as far more efficient. We hope that by reducing the beds we will not impact the care we can give to the patients of Ontario.

It was with very great regret that we laid off the people we did, but it was one of the key elements of numerous elements for straightening out the financial position, and the net result of that is that the MOH line at the end of this year will be flat. We have defined and managed the problem successfully.

**Mr Villeneuve:** Dr Hudson, we often hear complaints—I have had them from my own constituents—about elective surgery and the time process or the time element involved when elective surgery is the order of the day. Could you tell us what changes may have been precipitated to elective surgery in the Toronto Hospital?

**Dr Hudson:** As I mentioned, the question of downsizing of beds and reducing of personnel was just one item. Another item was the major transferral of operating room function to an outpatient basis. We just opened six new outpatient operating rooms last year. That is another policy of coping with the reality of this decade. Patients do not have to wait for an inpatient bed to come free if eye and knee operations and so on can now be done on an outpatient basis. This is a trend throughout Ontario, throughout North America, and we have been very much at the forefront of that. That is one aspect of the issue.

The next aspect of the issue is that we have made a very determined effort to do the testing of patients—some of this is very complex because of the nature of the hospital that we are—before the patients come into hospital. We

have now developed, again as part of this overall plan, a major pre-entry testing system. Again that is in common practice across North America. The patient does not actually occupy the bed to have those tests done, hence delaying someone else coming in.

Another component is that we have moved very hard to shorten the length of stay, so that the patient who is in the bed does not stay there for an excessive time. We track that very carefully through the management process, using the care map to which I referred previously.

The net result of this, plus very careful discussions with the government on the loading across the province of, for example, cardiac surgery and how this is to be accomplished, to answer your question specifically, is that we are very hopeful that the waiting lists at present are not going to be excessively lengthened. They will be lengthened to some extent. Clearly we cannot cope with less money without some change. What we are attempting to do as the queues lengthen is to ensure that people who are acutely ill and require rapid admission to hospital do so. The queue for people requiring urgent treatment, medical or surgical, should not be affected. The queue for people who require non-urgent treatment will be slightly lengthened, and we will do everything we can to minimize that, but it is part of the plan.

**Mr Villeneuve:** This is my final question. It is my understanding that the Ontario Nurses' Association has been to some degree unhappy with some of the occurrences. ONA quite often is very vocal about its problems, as well it should be. The computer has, in your opinion, reduced the paper shuffling by your professional nursing staff?

**Dr Hudson:** Yes.

**Mr Villeneuve:** Has it reduced the number? Has it brought it to the point where you have been able to reduce your number of nursing professionals? If so, by about how many? What other areas that affect ONA and the nursing profession do you feel will come forth that have not already happened?

**Dr Hudson:** If I may respond to the several parts to your question—

**Mr Villeneuve:** I realize that.

**Dr Hudson:** —with regard to the ONA issue, the labour-management relationships at the Toronto Hospital for the last few years have been very bad, and ONA is no exception. In fact, ONA has recently reissued a blacklist on the Toronto General Hospital. I regret that very much because I regard that as a statement of lack of resolution of management-labour practices.

One of my main personal aims is to resolve that issue which is present. Specifically how I have been doing that has been meeting with the presidents of the two locals. Although we are one hospital, we have two nurses' unions. I have been meeting with them privately in my office. In addition to that, we paid for the senior union people to attend a two-day labour-management conference in January in this city. That group will subsequently continue meeting in a labour-management mode. That is in addition to ONA; there are other labour unions involved.



I have as of this year now constituted a labour-management advisory committee with cochair, one from labour and one from management, and that includes ONA. As of yesterday, I was informed that the cochair of that labour-management committee is one of the presidents of ONA, so there will be a very direct impact.

I have introduced a number of initiatives to change that I hope will result in excellent labour-management relations, which certainly do not exist now. But we acknowledge that fact and are making a big effort to put that right.

With regard to the second part, to what extent have the computers impacted on the nurses' life, the fundamental aim is to have a paperless record. That is the goal. We are nowhere near there yet, for a variety of reasons. We are quite a long way there. For example, a nurse or a doctor can call up information on the screen from a pathology department or some other support service without paper transferring. That is quite well developed, but we have not got to 100% yet. We are at a phase where there are clear sections in terms of calling up, say, the biochemical results on the day's work on a ward for a series of patients; that will just come up on the screen at 3:30 that afternoon. That is clearly a significant improvement in the life of a nurse, and that is what we are aiming to continue to work on. We are not there yet, but we are a long way on the way.

**Mr Villeneuve:** Dr Hudson, thank you. I think you have certainly enlightened me very considerably.

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**Mr Hayes:** The auditor actually requested information from the hospital in regard to the savings and the merger. They are quoted as saying, "Senior management declined to provide it, stating that it was not an accounting record and was therefore beyond the scope of the inspection audit." Can you comment on the position that the financial information on the merger is beyond the scope of the inspection of the audit by the Provincial Auditor?

**Miss Shroff:** As we read the act it said that the inspection audit should look at the funds that were flowing to the hospital from the Ministry of Health and how they were expended. The Provincial Auditor has had full access to all the funds that came into the hospital via the Ministry of Health. The merger savings etc were not part of the funds that came from the Ministry of Health, and that is why we agreed ahead of time at a planning meeting before the audit process started that what they were looking at were the funds that came from the Ministry of Health. That was the position that was agreed upon with the Provincial Auditor when we started out.

**Mr Hayes:** There were two hospitals before the merger.

**Miss Shroff:** Right.

**Mr Hayes:** Did they not receive funds from the Ministry of Health? I mean, would this not be part of savings from some of the money that the Ministry of Health, for example, has given to the hospitals? Would that not be part of that? What I am saying is it is as if I gave you some money to help you on a project and you said, "Well, it costs less, so it is really not your business what I do with

the savings that you loaned to me." Maybe I am being blunt.

**Mr Powis:** I do not think we ever said it was not anybody's business how much we saved in the merger. The problem was that we did not keep records of the savings. We can give you guesses, and I have seen one figure that we saved nearly \$10 million simply in purchases since the merger happened. But we do not have a record saying, "We saved so much in the cardiac unit." In any case, it is a judgement call. There are savings that clearly flow directly from the merger and there are other ones that you do not know, partly from the merger and partly not. Anyway, we do not have any precise records on that at all.

**Mr Hayes:** Why would you not have precise records on that?

**Mr Powis:** "What is the use of it?" I guess is the attitude we took. There are certain specific things that we did and we said, "Good, we saved \$5 million doing that." But that is only a small piece of the picture.

**Ms Arsenault:** I think it is important to understand that we did report very precisely how we spent the money. The issue here is that there were, as Mr Powis is saying, many judgements that get made as to whether or not something is a merger savings or is a result of good management or good luck. When we go out to tender on supplies, there is no doubt that as a result of the higher volumes, we achieved better prices. There was no doubt about that. But it becomes an academic question, and my guess and your judgement might be different, as to what I would have been successful in negotiating had I been just the Toronto General or just the Toronto Western.

In many respects the reason why we are saying there would have been so much judgement involved—I mean, we could have had in the finance department an army of accountants pretending they could make these precise calculations, but you have been asking, "What if" kinds of questions. In other respects, they were costs that would have been incurred had we been two hospitals that we did not have to incur. For example, we did not need to develop two computer systems.

**Mr Hayes:** So actually, in a sense, by merging there would be less money spent by having one rather than two. Would that not be a savings?

**Ms Arsenault:** That is absolutely true, or we were able to do more, provide more services than we would otherwise have been able to provide.

**Mr Hayes:** I have one more question. What savings have really resulted from the sharing of the new patient care information system? Do you have an idea on that?

**Ms Arsenault:** I am not certain what you are asking.

**Mr Hayes:** What savings have resulted from that sharing of the new patient care information system rather than having it duplicated?

**Ms Arsenault:** You are saying if each hospital had had to develop its own computer system independently?

**Mr Hayes:** Yes.

**Ms Arsenault:** One of the problems with that question is that it assumes we would have access to information as to



what this similar system would cost in a hospital that would be half the size of the Toronto Hospital. If I were to make an educated guess, I suspect that at least two thirds of the expenses would have been required for each hospital to develop independently the system it has, and probably more likely at least three quarters of the cost. So you would have at least 150% of what it has cost us.

**Mrs Y. O'Neill:** I am sorry I was late for the meeting. If these questions have been asked, please tell me. I am going back to the auditor's report. There were two items regarding control mechanisms I would like to ask questions about. With regard to the variances in the stock of the non-controlled drugs, would you like to say a little bit about what you have done in response to the comments by the Provincial Auditor?

**Ms Arsenault:** To provide you some background, subsequent to the merger, the hospital introduced new financial systems which are very good systems that enable us to manage things much better than we could with the old systems. To start with that we obviously had to first get the main, top-level reporting system in place, and subsequently we put in place the purchase ordering and the accounts payable system. Once that was in place we were able then to put in place a new inventory system, which we are in the process of doing. The problems we have right now are with the old systems. Within the hospital across the two sites with the many inventory areas we have many independent systems—be it drugs or medical-surgical supplies or nutrition; the list goes on—which are not well integrated into the purchasing system right now.

As a result of that, it is very easy for things to get out of sync. That is what the auditors found when they came in. It is important to understand, however, and the auditors did find this, that the hospital does have good controls to restrict access so that it knows people cannot go in and willy-nilly take supplies for their own use. They knew they were being properly controlled and being used by people or ordered by people who were appropriate.

Having said that, there were these very significant differences which the hospital had in its practice corrected at significant reporting times by actually going in and physically counting the goods and then adjusting its records. We have introduced a new position. This is a Band-Aid solution, until we get the new system in, of having a new staff person whose job it is to ensure period by period that the variances are not significant, and where they are, that they would be investigated and corrections would be made to the records.

**Mrs Y. O'Neill:** So this is a new employee on staff?

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**Ms Arsenault:** That is right. In period 8 we did a count of over 50% of the inventory areas. The results showed there were still some discrepancies but they were not nearly in the range of what the auditors found last time. We know we will continue to find these until we get the new systems in and working. So that is the state.

**Mrs Y. O'Neill:** Continuing on a little further regarding inventories, the auditor has also made a comment on the ceiling value of things that are categorized in inven-

tory. Have you looked at that at all? That was on smaller items, I presume, very movable.

**Ms Arsenault:** Equipment.

**Mrs Y. O'Neill:** Yes, fixed asset kind of things.

**Ms Arsenault:** The hospital's policy is that obviously one always has to look at the cost of putting the system in place compared to the cost of the goods. The hospital's practice is very much in keeping with what the Canadian Hospital Association guidelines recommend. We are following the policies of the Canadian Hospital Association that had been endorsed by the Ontario Hospital Association and the Ministry of Health. Having said that, the hospital's policy is that it is the responsibility of the managers in the area who have the goods to manage them. I think at this point we have not extended that policy, although there are some smaller items for which it may be appropriate to consider.

**Mrs Y. O'Neill:** It is not possible for me, from the auditor's report, to know exactly the kind of items that we are speaking about. Do you have quite a high replacement rate in some of these items, the more portable kinds of equipment? What is your loss or vandalism statistic?

**Ms Arsenault:** I guess the main areas where we seem to have problems are in some of the public areas, where it would be easy—we often have pictures on the wall that disappear, for example. These things are in fact donated by the volunteers; it is through their efforts that we get them and then they have to replace them. This despite, of course, having them well secured to the wall. I think it surprises people how these things can none the less disappear.

**Mrs Y. O'Neill:** Can you tell me if you are going to look at that? Having been in another area of experience, in the education field, where this is a very significant component of costs in education, I would imagine it is the same in hospitals. In a recession I think these things have a tendency to mountain rather than valley. I am just wondering if you should be looking at that recommendation of the auditor much more seriously. You do not seem to have put in place anything that would either make removal of these items more difficult or lower the value in the ceiling recorded.

**Ms Arsenault:** These items are items that are used by people day to day in their work, for the most part. The experience that we have from the losses that are reported for insurance purposes is that this is not a significant area of loss to the hospital.

**Mrs Y. O'Neill:** You have those statistics?

**Ms Arsenault:** I do not have them with me, but certainly from our loss reports. People work with a dictaphone every day; if my dictaphone left my office, I would know it, and I would report it through our incident reports.

**Mrs Y. O'Neill:** So you do not have large insurance claims in this area?

**Ms Arsenault:** No.

**Mr Tilson:** I would like to continue by asking a question on the line of questions that Mrs O'Neill was pursuing. The auditor was quite critical of the procedures with respect to acquisition of anything, I suppose. As I understand



it from what you have been telling the committee this morning, you had an old system, a new system that is coming on and an interim system, with respect to the acquisition of anything, is that correct?

**Ms Arsenault:** No, not with respect to the acquisition of goods. That is with respect to the inventory aspect, those items purchased for inventory and then issued when people require additional supplies.

**Mr Tilson:** All right. I would like to deal specifically with the auditor's comments in his report, which I am sure you have read, in which the auditor has said they simply have not been able to find the documentation that substantiates what you have acquired. Specifically, they have said, for example, that:

"Documentation was not on file at the time of our audit to support acquisition decisions totalling \$4.3 million, including the purchase of laundry services exceeding \$3 million.

"In addition, senior management would not provide us with documentation on the selection process for other purchases totalling \$3.2 million. They stated that these items were not funded by the Ministry of Health, and consequently were beyond the scope of our inspection audit."

There obviously was a dispute between your staff and the auditor's staff as to what could be produced and what could not be produced.

My question is going to deal with procedure, but I would like to refer to these comments made by the auditor. Dealing specifically with the inventories, they did say that: "Safeguarding of all drugs was satisfactory as was the recordkeeping for controlled drugs. However, recordkeeping for non-controlled drugs was unsatisfactory." The auditor then indicated that your response was that you felt competitive practices are followed for the acquisition of equipment and other supplies and services. That was your response. Can you be specific or indeed file documentation with this committee which indicates what your procedures are?

**Dr Hudson:** No.

**Mr Tilson:** You will not do that.

**Dr Hudson:** I do not know if I was answering your question. You said, would we file now as opposed to before.

**Mr Tilson:** Now or in the immediate future.

**Miss Shroff:** Let me answer that initially, and then I will turn it over to Denise. You can tell from the auditor's report that the hospital purchases about \$93.8-million worth of stuff every year, out of which the auditor selected about 20% to look at, worth about \$17 million or \$18 million, and found that \$10.4 million was very properly handled. So what was in question was about \$7.5 million, or about 0.5%. Let me go through the list. Out of that, \$3.2 million relates to the laundry—

**Mr Tilson:** Mr Chairman—

**Miss Shroff:** Let me go to the laundry question, since you asked the question.

**Mr Tilson:** All right, it is fine for you to tell me that. These figures will make me dizzy, quite frankly. What I am interested in—

**Miss Shroff:** That is all right. I just want to state that it is unfair to say our policies were inadequate on a blanket basis, whereas for a very large percentage of the purchases they were terrific. Going through the individual items you raised with respect to the laundry—

**Mr Tilson:** It is fair for you to defend those comments. I have no problem with that. What I am simply interested in—and I do not really want to hear these figures because they are too big for me to understand.

**Miss Shroff:** That is all right. I am a bean counter, so I love figures.

**Mr Tilson:** What I am interested in, though, is the fact that the auditor is essentially suggesting—in fact he is not suggesting, he is saying—that he questions whether proper procedures are being followed, or that you have procedures that justify what you are doing.

**Miss Shroff:** Yes, we do.

**Mr Tilson:** That is really all I want to know.

**Miss Shroff:** We do have procedures which are followed most of the time. In fact, generally they are followed. There are a few exceptions, such as the laundry. That agreement was signed 20 years ago. It expired. All 13 hospitals that share that laundry are in the process of looking at an agreement and re-signing it, so it was just a matter of timing. I think at our last finance committee meeting we looked at the agreement. Is it signed by now, or is it still in the draft stage?

**Dr Hudson:** It has been passed and and it has been signed as well.

**Miss Shroff:** That is right. It was a rare situation where all 13 hospitals have to agree with signing the agreement and bringing it up to date. That is being done now. So the \$3.2-million worth of purchases were taken care of for that one. The documentation that was missing for about \$1.1 million—it arose when the two purchasing departments, Toronto Western and Toronto General, were being put together. The stuff was in boxes, being shuffled from one place to the other. It was difficult and we were unable to satisfy the auditors and find the documents because they were still missing, I guess—the boxes, wherever they were.

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**Ms Arsenault:** There are a couple of things that are important to understand. The comments the auditors made were not to suggest that our procurement practices were inappropriate, or rather that we had made bad procurement decisions. What they made their comments on were the documentation problems they had.

**Mr Tilson:** It simply says your recordkeeping is unsatisfactory. That is what they say.

**Ms Arsenault:** Okay, but this is very important. I arrived on the scene after this audit was done. Obviously this was very significant to me, to get my head around, because it has such implications to the hospital. The very first thing I did was to borrow their working papers in the areas where they had problems. I understand that with the move there were problems, that they put files in boxes. I do not know where all of them went to. I have since



reviewed the documentation practices from now on. They are now in one location and they are appropriate, in my opinion.

In addition to that, there was a second issue. Quite rightly, as I think we would all agree, the hospital has as part of its policy a recognition that there are times when it is not appropriate to tender. For example, if you have a piece of equipment and you want to upgrade that equipment and buy a replacement part for it, you are obviously not going to tender. You are going to go back to the supplier of the original equipment. We did not have a practice previously that it was necessary for us to document in writing the reason we did not tender that item. Since the audit we have introduced a new form which is required to be signed off by the appropriate levels of management, to require that it be put in writing.

**Mr Tilson:** Have these procedures—the old procedures, the new procedures, the interim procedures, whatever procedures you have—been made available to the auditor?

**Ms Arsenault:** We certainly discussed with the auditors our intention to introduce these new policies. The practice—

**Mr Tilson:** What about the old procedures? Were they made available to the auditor?

**Ms Arsenault:** Yes.

**Mr Tilson:** The auditor has those procedures.

**Ms Arsenault:** Yes, and they, I think quite rightly, felt that the policy should be enhanced to require more explicit documentation of the reason things were not tendered. I agree with that. Having said that, however, I have reviewed the list of their sample and, frankly, I found that where things were not tendered there was legitimate reason.

**Mr Tilson:** Have they seen the new procedures?

**Ms Arsenault:** No, they have not, but they would be welcome to see them.

**Mr Tilson:** Is this a complicated document, these procedures?

**Ms Arsenault:** No.

**Mr Tilson:** I am sure there are only two sheets—

**Ms Arsenault:** Exactly, it is the new form with—

**Mr Tilson:** Would you make those available to the committee?

**Ms Arsenault:** I would be happy to.

**Mr Tilson:** Okay. With the response to the comments made by the auditor, you indicated, as I have stated, that competitive practices are followed for the acquisition of equipment. Can you elaborate on that? What does that mean?

**Ms Arsenault:** The hospital's policy, as I recall off the top of my head, is that any equipment over \$25,000 must be tendered. There must be at least three competitive bids received. In some cases it is many more and in certain cases it is not possible that there be three. There may be only two suppliers, but wherever possible there would be three tenders.

**Mr Tilson:** Is that set forth in these procedures you are filing with the committee?

**Ms Arsenault:** In the policies.

**Mr Tilson:** It is set forth in the policies what you have to do.

**Ms Arsenault:** Correct.

**Mr Tilson:** In other words, you take necessarily the best offer to purchase equipment. You have three, or a number of offers, and you take the best. Is that what you are saying? Is that what your policies say?

**Ms Arsenault:** That is correct. Now best is not in all cases the lowest. Where it is not the lowest, there is a specific requirement that there be documentation. This was our policy previously as well and I think the auditors would have seen that. Wherever the hospital does not select the lowest bid, there must be specific signoffs and justification.

**Mr Tilson:** Could you elaborate on your thoughts where the auditor, dealing with inventories, states that—and it is really getting back to what Mrs O'Neill was pursuing—"Controls over equipment were satisfactory, however there had been no physical verification of easily movable equipment." You dealt with that somewhat with Mrs O'Neill, but I would like you to elaborate further on the auditor's comment—not on what you do, but on the auditor's criticism.

**Ms Arsenault:** The hospital's policy is that whenever there would be a loss, it is the responsibility of the management in the area the equipment is in to report such a loss. We have that as an ongoing procedure. If you look at the nature of the hospital and much of the equipment we acquire, they are pieces of hi-tech equipment that fill rooms and equipment that gets used every day, which is absolutely required. So there is no major risk of significant loss in the institution.

Having said that, the audit committee has changed—to some extent, has added a responsibility for the internal audit department to do, on a cyclical basis, test counts of fixed assets. That procedure was added as a result of the Provincial Auditor's work.

**Mr Duignan:** It is not often I agree with David across the way here, but I do agree with his line of questioning today. Some information for myself: What parts of the hospital operation are subject to the Freedom of Information and Protection of Privacy Act? Is there a possibility of getting that answer?

**Dr Hudson:** Sure. The answer is yes, I will look into it.

**The Acting Chair (Mr Morin):** Would you state your name?

**Mr Allen:** I am David Allen, the assistant vice-president for public relations for the hospital.

**The Acting Chair (Mr Morin):** Could you just take your seat. You have a microphone in front of you.

**Mr Allen:** It is my understanding at this point that the act you are referring to does not apply to the Toronto Hospital. That is based on a ruling, I believe, yesterday in



relation to the financial statements, but we can doublecheck that for you.

**Mr Duignan:** That is, I think, my understanding as well. Another committee of this Legislative Assembly, in its comments and review of the freedom of information act, has made a recommendation to the government that basically anybody receiving more than \$50,000 in government funding would be subject to this act. Do you have any comment on that?

**Mr Powis:** Sir, are you implying that if somebody comes to the hospital and gets more than \$15,000 worth of treatment, we have to release the patient records?

**Mr Duignan:** No, what I am saying is that one of the recommendations of the committee was that anybody receiving more than \$50,000 in public funding will be subject to the Freedom of Information and Protection of Privacy Act.

**Mr Powis:** Any institutions.

**Mr Duignan:** Any institutions, yes, that are exempt now.

**Mr Powis:** I do not really think I understand the implications of that, but it is certainly something we had better look into.

**Mr Duignan:** Maybe I can have a talk with you later about that. I would like to get back on the track in questioning you again, following Mr Tilson, and I want to zero in on the audit's scope. In the nine purchases of computer equipment valued at \$3.2 million, for example, it was indicated that these purchases were not within the scope of the inspection audit, as the Ministry of Health's operating grants were not used for the purchase. Could you explain how it could be established that the computer purchases were not funded by the Ministry of Health? Are funds differentiated on the basis of source within the hospital's accounting system? I am just wondering how.

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**Miss Shroff:** Yes, the funds are separated within the hospital funds based on their sources. As Mr Powis said in his opening statement, since this was such a major expenditure for the computer system, spread over several years, if we took the ministry funds and spent them on the computer systems, we would be shortchanging some other areas. Therefore, since this was such a major undertaking, we chose to finance that out of the foundation and other funds, and we kept track of the computer purchases through those funds.

**Mr Duignan:** So the source of funding was through donations.

**Miss Shroff:** That is right. That came through other sources.

**Mr Duignan:** And that purchase, again, was done on a competitive basis?

**Miss Shroff:** For that particular computer system it was not done on a competitive basis, because it was the only game in town. We looked at several alternatives, and HDS was the only system that we thought was what we were looking for. So, having searched literally all of North America, we zeroed in on HDS and bought that system.

There was nothing else available, and to date there is nothing else available.

**Mr Duignan:** What use have you made of the equipment? Could you explain that again?

**Miss Shroff:** Do you want to tackle that, the patient care system, which we already covered a little bit?

**Dr Hudson:** Fundamentally, there is a computer entry point between every two beds. That is basically how the data is captured by the system. So a doctor or nurse entering orders would enter them on the spot, at the patient's bed. This information is automatically transferred to the appropriate laboratory, X-ray department or whatever. In the later part of the day, when the doctors or nurses are making rounds, they can log back on to the system and call up the data they have ordered, the chest X-ray report or the blood gas report or whatever. That is the main function, just using that as an example of how the system works.

The system also, of course, works to generate reports so that we can start getting a handle on these various clinical problems and then put some numbers opposite them. So in the main, the system has a report-writing capacity. The system also needs to interact with other major systems in the hospital.

That is basically how the system works. It is linked between the two hospitals, so there is one system for the two hospitals. That is basically how it works and the way it works.

**Mr Duignan:** Has it eliminated some paperwork and has it resulted in cost savings?

**Dr Hudson:** It has eliminated an enormous amount of paperwork. That was the design. As I responded to a similar question earlier, perfection has not been reached; the goal is a paperless record. But certainly in radiology, in biochemistry, in bacteriology and several of the major areas, the transfer of information is by computer; there is no paper flow at all. It not only eliminated the work, hence the savings; it has also, of course, increased the accuracy. They are not copying off paper requisitions from one place to another; it stays in the system in the original form.

**Mr Duignan:** Getting back to the question asked earlier about downsizing your staff, have you laid off staff? How many staff has been laid off, and from where in the system?

**Dr Hudson:** As I responded earlier, in the period since I took over the job in July we have laid off 159 staff. If you ask for the breakdown, the first group we laid off were in fact 20 administrators. But the actual breakdown of the 159 is that 49 of these are non-union positions and 110 are union positions.

**Mr Duignan:** How many senior management personnel were laid off?

**Dr Hudson:** As I say, the very first thing I did was to lay off 20 administrators; the very first step I took one week after taking my job.

**Mr Duignan:** Senior personnel?

**Dr Hudson:** Including senior people.

**Mr Duignan:** Including senior personnel.

**Dr Hudson:** Including some of the most senior.



**Mr Duignan:** What were the cost savings being made on these administration cuts?

**Dr Hudson:** Cost savings on the original round of the downsizing, the downsizing we did in August, were in the neighbourhood of \$5 million. Cost savings overall on the next set was in the neighbourhood of \$8 million to \$9 million.

**Mr Duignan:** I guess it has been a bone of contention of many people about how much dollar value has been paid to senior staff people. Again, I guess I may get a no to this one. Would you file with this committee the amount of salaries being paid to the senior management personnel?

**Mr Powis:** Sorry. To clarify that, in aggregate or individually?

**Mr Duignan:** Individually.

**Mr Powis:** No.

**Mr Duignan:** Any particular reason why not?

**Mr Powis:** Well, there is no particular requirement that it be done. It seems to me that somebody's salary is a private matter for him.

**Mr Duignan:** Would you be prepared to file a range of salaries?

**Mr Powis:** I would want to think about that. For how many people?

**Mr Duignan:** For senior staff, management. After all, it is public funds.

**Mr Powis:** Yes, it is public funds, but it is also private information at this point. If you folks want to go out and legislate that this be made public, that is fine. But why should we at the Toronto Hospital make it public when no other hospital does?

**Mr Duignan:** Let's not talk about the exact amount; let's just talk about the range of salaries. Would you be prepared to file that range of salaries you pay to senior management staff?

**Mr Powis:** Sorry. I want to take that under advisement and think about it. But instinctively I would say no, unless you want to have it done for everybody. It is nothing we are ashamed of particularly, but I do not think I have any mandate to come here and tell you what the executive vice-president of the hospital earns, or Alan, for that matter. But if you want to mandate it, it is fine; we are not ashamed of it. It is just, why should we do it when nobody else is required to?

**Mr Duignan:** Thank you. I would like to defer more questioning at this time.

**Mrs Y. O'Neill:** I would like to continue a little bit further with my questioning. When you had the recommendation from the auditor—I understand, Ms Arsenault, that you have come in since that time, so I do not know whether you were part of the hospital's response to the auditor's report or not. But I have on record here that the Toronto Hospital's response to the auditor's report included improved computerized inventory system in 1991-92, and that there would be a check periodically by physical counts. When we were talking, I did not pursue that. You just said you did not have a lot of insurance claims. So will

you tell me, if you have improved this, whether it is going to be part of the new system. Then I have one other question.

**Ms Arsenault:** The inventory systems are being developed right now, as a matter of fact, and the first one that is going to go on to the system live is the pharmacy area. So they are in progress right now.

**Mrs Y. O'Neill:** I have trouble, having been so closely connected with the school system for so long—my mind is hung up, as I indicated to you earlier, about all kinds of things, whether they be lamps or trays or whatever, that are in and out of your rooms every day. You tend to think things are there, and they are big, physical equipment things, but I am talking about things that people put in their pockets or their briefcases. I have had a lot of experience in this in my past work in education, where you basically have this massive field with all kinds of small, enclosed areas where these kinds of things are much more easily taking place. That is why I want to pursue this questioning.

**Ms Arsenault:** At the hospital, probably not unlike most other hospitals right now, we are in the process of developing many different initiatives to cope with the 1% funding for next year. One of those initiatives is in the area of office supplies and things like that, which I think would be the area where things would be most susceptible because they would have a use to people outside of the hospital. In terms of medical-surgical supplies, much of this is specialized for particular purposes and would not be of great value to me at home, I am pleased to say.

**Mrs Y. O'Neill:** I have always found it strange what people think might be of value to them at home.

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**Ms Arsenault:** Well, that is sometimes true. Through these initiatives there are task forces being set up to explore ways in which to reduce our office supply usage by significant amounts. No doubt one of the things they will be exploring is the extent to which in a particular area they feel this may be an issue.

**Mrs Y. O'Neill:** So you are still doing this count physically at the moment, this inventory of equipment which the auditors, I think, very well describe as portable and attractive.

**Ms Arsenault:** Yes.

**Mrs Y. O'Neill:** But in an environment like a hospital, there is a lot of this stuff. I certainly am not questioning your professionalism, but I feel, both in the line of questioning that Mr Tilson had and my own, this is not one of your priorities for sure. I might be misinterpreting you, but to this point I have not been able to see that you think this is important or is a problem.

**Ms Arsenault:** That is good. I do think it is important that proper use be made of hospital assets. I do not think right now that the hospital is losing a lot of money through inappropriate use or theft.

**Mrs Y. O'Neill:** When you say "a lot of," have you got any percentages in your mind?

**Ms Arsenault:** I certainly know that our incidence reports would not suggest significant dollars. You have to



understand that in the hospital—what are the areas where we would be subject to significant loss? It would be in office supplies, perhaps in microcomputers, although microcomputers are of a dollar value; they are on our asset list.

**Mrs Y. O'Neill:** Right.

**Ms Arsenault:** So those things would be properly controlled. Through the maintenance programs that we have in the hospital, there are staff who have the list of this equipment and who are maintaining it on an ongoing basis. If they went in to maintain it and it was not there, you know—

**Mrs Y. O'Neill:** But you are not thinking of lowering the ceiling value of your inventory—you have just brought that up now with the computers—below \$500 at the moment.

**Ms Arsenault:** My view right now is that the cost to implement such a system would exceed the benefits we would receive. I do not think we would achieve value for money in doing so.

**Mrs Y. O'Neill:** Okay. That is a judgement call.

Someone, in the questioning, has answered and suggested that this was the role of the internal auditor. Would you like to tell me a little bit about what your internal audit department does and what kind of responsibilities they have? How many staff are there and what kind of work they are assigned?

**Miss Shroff:** We have had a fairly substantial internal audit department until fairly recently. Somehow we have decimated that internal audit department, and we do not have a staff at the moment. What we have done recently is that along with the Hospital for Sick Children, we have appointed a director of internal audit who is joint director at the two hospitals. This is one way of sharing costs between the two hospitals, and he is in the process of hiring staff for the Toronto Hospital.

In the past we have had a good complement of about three to five people in our internal audit department, and they have always been very good in helping our external audit process etc. But somehow due to attrition, maternity leave etc, the people have gone away in the last few months. At the moment, we do not have any staff. That is correct, Denise?

**Dr Hudson:** I will respond to that. This whole issue of replacement of staff following the Provincial Auditor has included the entire internal audit department. You have heard of the new appointment, which has just been described. The first task that individual has is now to hire two or three permanent positions for the Toronto Hospital, and at the end of the year, jointly with Sick Children's Hospital, we would assess whether the individual who is now the internal auditor on the internal staff can continue to run both hospitals or whether he would have to move to a specific appointment at the hospital. So the rebuilding of our internal audit department has just begun, and that appointment was started the first of February.

**Mrs Y. O'Neill:** Would these people be designated accountants?

**Dr Hudson:** I think almost certainly.

**Mrs Y. O'Neill:** You have stated, I think, on a couple of occasions that they have a very direct relationship with the external audit. Do they have any other responsibilities, with the managers or department heads or whatever?

**Miss Shroff:** I have been around longer than Denise or Alan in dealing with the internal auditors. Every year at the audit committee meetings—the audit committee meets about three times a year—we set out a list of priorities for the internal auditor to carry out.

**Mrs Y. O'Neill:** The audit committee is an extension of the board, is it?

**Miss Shroff:** It is composed of members of the hospital board as well as drawn from the foundation board. One of the things the internal auditor does is help with the external audit in order to keep the audit fee down, so every year we agree on how many hours of internal audit staff we can give to the external auditor in order to reduce the audit fee.

In addition to that, throughout the year we give them a list of priorities as to which areas they should look at. They also come up with suggestions. The management gives us suggestions saying, "These are some of the areas that we would like the internal audit to look at." Based on that, the internal auditors go out and carry out their priorities and report back to the audit committee and also to the president. The director of internal audit is responsible directly to the president; he does not go via the vice-president of finance or anyone.

**Dr Hudson:** That is another new development, that the newly appointed head of internal audit reports directly to me.

**Mrs Y. O'Neill:** Does the audit committee also report directly to the board?

**Miss Shroff:** Yes.

**Mrs Y. O'Neill:** On an annual basis?

**Miss Shroff:** More than an annual basis. Every time we meet we submit a report to the board. We have a planning meeting and then we have a meeting to review the financials, and then we have a meeting to review the auditors' recommendations and how they are implemented, so about three times a year we report to the board.

**Mrs Y. O'Neill:** When you say they are trying to cut the expenses of the external audit, I find that different, but I guess some people do that. When you say that, are they then working on the notes and recommendations of the previous audit, or would they be doing what you would consider the minor auditing functions?

**Miss Shroff:** They are working essentially for the external auditor. They are working as staff of the external auditor, so the external auditor tells them to carry out a few procedures which normally the external auditors would have carried out.

**Mrs Y. O'Neill:** I see, okay.

**Miss Shroff:** They are working as an extension of the external audit team.

**Mr Tilson:** I just have one question with respect to the merger of the two hospitals, but before that, Mr Duignan



commented with respect to salaries, and I agree wholeheartedly. I do not think we are entitled to that information, because of the legislation. I am interested that Mr Duignan, of course, chaired a parliamentary committee on the whole subject of freedom of information. There is no reason why we should see that information if we cannot even see the Ministry of Health's senior staff—

**Mr Duignan:** You will be glad to know that we recommended that all ministries would be subject to the act as well.

**Mr Tilson:** I am glad to hear that.

**Mr B. Ward:** We left nobody out.

**Mr Tilson:** I am sorry, Mr Chair. I think it is an important issue because it was raised. I do not mean to get into a debate with Mr Duignan—

**The Acting Chair (Mr Morin):** Yes, please continue.

**Mr Tilson:** I am pleased that the government will be considering introducing legislation dealing with that whole subject, because it certainly is a concern.

I would like to ask for your comments specifically on the auditor's report on the merger of the two hospitals. The auditor simply came out and said that it is expensive. I am referring to a newspaper report which I think partially quotes the report and is partially some reporter talking, I suppose, and I am sure you will correct me if I am wrong.

The report talks about the total expenditures of the two hospitals being \$317 million in the fiscal year 1987, with the government funding being at \$254 million. In the 1991 fiscal year—and I appreciate we are talking several years later—the merged hospital expenditures were \$417 million, with ministry funding at \$333 million, which is an increase in both of 30%. That may have something to do with, hopefully, the inflation rate, which was at 30% between 1987 and 1991. It may have been a factor.

The concern I have gets back to the making of information available to the auditor, because the auditor was very critical of senior management at the merged hospital for refusing to provide information on savings, if any, on those specifics. I have two questions. First, I would like you to comment on the allegations or criticisms with respect to the difference in the cost between the two hospitals prior to merger and after merger, and second, although it has been dealt with somewhat this morning, your comments with respect to not making information available.

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**Mr Powis:** I could start the response to that question, because I was around at the time of the merger. Specifically, the deal we made with the government of the day with respect to the merger is that, to the extent we saved money out of the merger, we could keep it and redirect it to new and improved programs within the hospital. That was the deal that was made.

I will ask Alan about this, but our spending at the Toronto Hospital has gone up in line with that of other hospitals. We have saved a considerable amount of money. I am not too sure that the auditors were being very critical over the fact that we did not create an accounting record to keep track of merger savings simply because it is impossi-

ble to do and it would have meant spending a lot of money for no good effect.

**Mr Tilson:** I assume the auditor looked at the figures that were made available and simply made the bold statement that it was expensive. Is that a fair statement?

**Mr Powis:** I do not think the auditors said anywhere it was expensive. The merger per se was not expensive. The merger per se saved real money, a lot of money; it is just that we cannot tell you with precision what it was. We can say, "Okay, in the purchasing area, we probably saved \$6 million or \$7 million," but we do not have a total record of that.

**Mr Tilson:** I think it is important. This was a question that was started this morning and I think it is relevant. If we are looking at the merger, I think it is useful to know, was the merger worthwhile or was it not? His question, I think, was a perfectly reasonable question.

**Mr Powis:** In my view, it was a good thing to have done, and if I had to do it all over again, I would do it again. But that is subjective, and I cannot give you something that says, "We were able to save \$35 million since we merged, and we were able to redirect that into new"—I would just be guessing. We could not have kept a real accounting record on that.

**Dr Hudson:** I guess the additional point I would make is that I can list for you a whole group of new programs that were put in and funded from savings resulting from the merger. While we cannot give you a dollar figure, I can name the spinal program, the new head and neck program and so on.

**Mr Tilson:** That is useful. I guess sitting on this committee, I am a little concerned when I look at the auditor comparing the 1987 figures and the 1991 figures and showing a 90% increase between the two hospitals and the merged hospital. That is a big increase.

**Dr Hudson:** May I respond to that and then ask Denise to carry on? I have added the numbers of the two hospitals apart and then subsequently tracked the increases. Those increases are approximately 11% throughout, for many years now, which is exactly the problem the province is facing, the cost of increasing health care, which we are all struggling to control. I would challenge that, and I believe that in fact when you add the two together and put them all in time, the increases are appropriate.

**Mr Tilson:** So you are saying this is no different from any other hospital in the system. Is that what you are saying?

**Dr Hudson:** Two hospitals before, add the two together and then continue as one; I think it is the same.

**Ms Arsenaault:** The one difference that there may be is that over this period of time—and you know this was a period of very significant inflation—in addition to this 30% increase, although I do not have the figures with me today, the Toronto Hospital was given money for new programs that had started as well.

We manage at the Sheppard Centre mall an outpatient dialysis centre on behalf of a group of hospitals. That money to manage flows through the Toronto Hospital and that is part of this 30% increase, as one precise example.



There are many other examples like that. There are many new programs in place in 1991 that were not there, or even contemplated, in 1987, so in many respects you are looking at apples and oranges, although this is a true statement that there has been a 30% increase.

**Mr Tilson:** Mr Chair, I would like to ask a question in a completely different area. May I do that?

**The Acting Chair (Mr Morin):** Do we have unanimous consent? Agreed.

**Mr Tilson:** One of the areas the committee was pursuing yesterday with the deputy minister who was here was the whole subject of hospital foundations and the funding that is in there, the confused area of public funds that end up in the hospital foundation through surpluses or otherwise.

I guess the concern of the committee—and I would like to hear anyone's thoughts on this—is that this committee, the auditor or the minister has no legal right to look at foundation moneys, even though surpluses from public moneys go from a hospital such as yours—well, I do not know whether it came directly from yours. You are going to say no, of course; someone will correct me. In any event, that whole subject—if it has not recently, I am sure it has in the past, because we have been told that this is a serious problem around the province.

If it does not apply to your hospital, congratulations, but it certainly is a serious concern, specifically with surpluses from public moneys that go into foundations which the public cannot look at. I would like your thoughts on that general question.

**Dr Hudson:** First of all, thank you. We receive the congratulations. The money is totally separate, and in fact the foundation is overseen by a board which is separate from the board of trustees and has itself a financial committee which reports to that board. The moneys in the foundation are primarily from fund-raising drives—one was just concluded under the direction of Mr Crossgrove—and there are moneys left in wills and other types of donations.

Most of these have a specific tag attached to them as to what use that money can be spent on. Specifically, it is usually directed towards various research activities, so the fiduciary responsibility of the foundation and of the hospital to maintain that desire of the donor obviously has to be kept. The main source of funds derived from the foundation into the hospital is to support capital projects basically related to research. We do not put operational funds back into the foundation. Do you want to discuss some of the details, Denise?

**Ms Arsenault:** I think there are a couple of things that are really important. The Toronto Hospital, for this most recent year, has submitted to the Ministry of Health, at its request, a copy of our foundation audited financial statements. It is important that public funds, through to the operational surpluses, not be transferred back, or if they are, for some reason, if it is ever felt to be appropriate, that it be done with the ministry's approval.

**Mr Tilson:** But it is not.

**Ms Arsenault:** As an external auditor and having specialized in provincial audits, I suspect that the perception of the problem is much greater than the problem itself. It would not be difficult for the Ministry of Health to change its reporting requirements to specifically require that this be reported upon and audited by the external auditors as part of their year-end submission. There are some easy answers which I think would address the concerns, which I think are more perception than reality.

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**Mr Tilson:** Why should the public or the auditor not have access to looking at what is done with foundation moneys?

**Mr Powis:** I do not know why.

**Mr Tilson:** I do not either.

**Mr Powis:** If you are asking what we do with foundation moneys, we are happy to tell you. We have no secrets.

**Mr Tilson:** You would let the auditor look at the foundation records? I doubt that.

**Mr Powis:** You mean the Provincial Auditor?

**Mr Tilson:** Yes.

**Mr Powis:** I would imagine the public auditor would regard that as beyond the scope of his responsibilities. It is audited by an internal auditor.

**Mr Tilson:** I do not doubt that. I am sure it is. I am sure your organization would do that. It was made quite clear to us what the law is. My question to you is the philosophical reason the public should or should not have access to looking at what is going on with foundation funds. It is all providing a health service, whether it is the acquisition of equipment, building a new wing, research, whatever; it is all performing a health service. Health in this province has gone wacko. I, as a layperson and admittedly knowing very little about the subject, find it amazing that the province of Ontario or the auditor cannot look at foundation moneys.

**Ms Arsenault:** I think right now this information is available through the public trustee. Certainly every year we are required as well to file this information with Revenue Canada in order to maintain our charitable status.

**Mr Tilson:** I am aware of that.

**Ms Arsenault:** I think there are appropriate review mechanisms in place.

**Mr Tilson:** The auditor cannot make the same type of inspection with the foundation moneys as he can with anything else as far as the health system is concerned. There is no question he cannot do that because the law does not allow him to.

**Ms Arsenault:** I am not certain what value it would have.

**Mr Tilson:** Because health has gotten out of control. Corporations and individuals are giving vast amounts of money to foundations. I think questions are being asked around the province as to what is going on with our health system.



**Ms Arsenault:** At the Toronto Hospital approximately \$5 million a year is given to the hospital from the foundation to do some extraordinary good work on the research side.

**Mr Tilson:** I am not denying that.

**Ms Arsenault:** I suspect that many members of the foundation—I think there is a great risk, if we are not careful here, of stopping a lot of good work.

**Mr Tilson:** Why, because the government might be looking at what is being spent?

**Ms Arsenault:** Not at all. I think over the past while the perceptions have been that there is something to hide. I honestly have not found that.

**Mr Tilson:** I made my point. Thank you.

**Mr White:** I have had the opportunity of visiting your hospital on several occasions recently with two aging parents who were not able to be served in their local community. Certainly the services at the Toronto General Hospital are exceptional, top of the mark. In my own community we are looking at a couple of hospitals merging, certainly hospitals of a much smaller scale than your own. I am curious in terms of the process and in terms of the effects of those mergers how effective they have been in terms of cost savings.

I have a note here in the report that says hospital policy requires that savings attributed to the merger are to be recorded. Ms Arsenault infers that those savings could actually be translated into direct new programs. I am curious whether that policy is an accurate one. Is that an accurate reflection of the hospital policy?

**Dr Hudson:** I am sorry, I do not understand the question.

**Mr White:** Is the statement that hospital policy requires that savings attributed to the merger be recorded an accurate reflection of the Toronto Hospital's policy?

**Ms Arsenault:** It is in your opening remarks, I think.

**Dr Hudson:** It has not been done.

**Mr White:** That is an accurate reflection of your policy, though?

**Mr Powis:** If that is meant to imply that we are going to keep a set of books that accurately record merger savings, that is not the policy of the hospital.

**Mr White:** We have heard that there are some savings that can be quantifiable, some that it would be speculative. Has there been an attempt to account for savings in either of those areas?

**Dr Hudson:** If I may respond in terms of \$10 million that was mentioned earlier, there is an \$8.5-million segment of that which in terms of savings is directly the result of contracts, \$668,000 which we estimated were the result of consolidation of departments and the remainder of the savings were as a result of tendered services because of the question of scale. We have that type of breakdown within that amount of money, but the saving is significantly more than the \$10 million to which we referred. Half of that at least has been rolled back into the formation of these new programs and approximately the other half was rolled into the capital redevelopment project, which was an inherent

part of the original merger, specifically the rebuilding of the physical plant at the Western division. On my reading of the record, back to the original records surrounding the merger, that was one of the inherent concepts of the merger.

**Mr White:** Ms Arsenault said that there was an agreement with the ministry that those moneys that were saved could be translated into new programs. Has that occurred?

**Dr Hudson:** Yes. Do you want her to respond directly?

**Mr White:** Yes.

**Dr Hudson:** Go ahead.

**Ms Arsenault:** Yes, it has. That has been done.

**Mr White:** So that \$10 million has been translated into a new program, a series of new programs—

**Ms Arsenault:** Or into expanding programs. It was before my time. I think Dr Hudson was there as some of these changes were actually being introduced.

**Dr Hudson:** What has happened is that programs have been consolidated on one or other of the sites. For example, all of cardiac surgery is done at one site and all of brain surgery is done at the other site. In addition, there has been a whole series of brand-new programs instituted. I mentioned before the head and neck program. This is now the largest head and neck program in North America, dealing with a segment of the population of Ontario that has very major cancer problems around the throat and the back of the mouth. The creation of that type of program was funded from money derived from the savings from the merger. To put it another way, we did not get additional moneys to float those programs. We referred to the additional money we did get in the expansion of the transportation program, but the other programs that have been put in place have not received additional funding from the ministry.

**Mr White:** The other new programs you talked about in terms of the \$100-million increase over the last several years: How many of those are there? What is the extent of those new programs in terms of dollar cost?

**Ms Arsenault:** I indicated that I did not have the information with me. If you are referring to the 30% increase we had, much of that 30% increase was just straight inflation, recognizing the salary increases and things like that. But in addition, we did over that period—I explained that we actually manage a program not just for the Toronto Hospital but on behalf of a number of hospitals and that money flows through us. Other programs were introduced and continue to be introduced for which additional moneys flow.

**Mr White:** I appreciate that part of the \$100 million is inflationary costs increase, but you also mentioned that part of that \$100 million was new programming.

**Ms Arsenault:** Yes.

**Mr White:** I appreciate you may not have those figures handy, but would it be possible for you to dissect that and to give that to the committee at a later date?

**Ms Arsenault:** Yes, very easily.



**Mr White:** Of course if a program was introduced in 1988, you would have additional inflationary-based cost increases in regard to that new program as well.

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**Ms Arsenault:** Exactly.

**Mr White:** It is a difficult thing when I look at two hospitals merging. We have talked about a savings of somewhere in the neighbourhood of \$10 million, but with a combined budget of \$417 million, \$10 million is not a huge amount of money. That is why I am interested in those other issues. Certainly at a local level again, I would like to be able to reflect to those boards of governors that, "Yes, this has a very positive effect," and their endeavour probably will be a successful one.

**Ms Arsenault:** What it would be possible for us to do if you would like is to give a laundry list of the areas in which we found savings. Obviously in each case one has to translate that into what it would mean today and in your particular community. But certainly we have one senior management team; we do not still have two. I think Miss Shroff indicated that we did not need two external audits. Our insurance coverage was collapsed. It would be possible for us to provide a laundry list, I think, without taking an army of accountants, if you feel that would be helpful.

**Mr White:** Yes, I think so. Thank you very much. I have one other question in regard to my colleague's earlier question. Mr Powis, you probably have a very legitimate concern with regard to private corporations, but certainly with public bodies the salary levels and ranges of all public servants are public knowledge, and I believe my colleague was asking for a range, not a specific name-attributable salary. I appreciate your reservations, but if you are not able to respond to that, could you indicate that in later correspondence?

**Mr Powis:** I would be happy to do that.

**Mr Duignan:** I want to get back to the merger. In the auditor's report, the inspection audit, let's face it, you have a hospital policy stating that "savings realized from the merger are to be tracked." When the auditor requested this information from the hospital, "Senior management declined to provide it, stating that it was not an accounting record and was therefore beyond the scope of our inspection audit." Would you be prepared to file that information with this committee?

**Mr Powis:** The information relating to merger savings?

**Mr Duignan:** The savings realized from the merger.

**Mr Powis:** We can provide this committee with a series of numbers which will be guesses. They are no better than guesses. They are not an accounting record. They are not something the Provincial Auditor could verify. They are just guesses. If you think that would be useful, we can give it a whirl.

**Mr Duignan:** But your hospital policy states that "savings realized from the merger were to be tracked." Was that done?

**Mr Powis:** I am surprised to hear that was our policy, because if it was our policy, we did not follow it. We knew

we were saving money, but we did not set up a special account entitled "Merger savings."

**Mr Duignan:** Again, when the auditor requested this information, the senior management declined to give it.

**Mr Powis:** The senior management did not have it as an accounting record.

**Mr Duignan:** In other words, the hospital did not follow its own policy?

**Mr Powis:** If that was the hospital's policy, we certainly did not follow it in terms of an accounting record, no.

**Mr Duignan:** I would be delighted to see whatever information you do have on the merger savings filed with this committee.

**Mr Powis:** As a matter of fact, you have raised a very interesting question. I would be interested myself. But recognize that we can say, "We think we've saved this," but nobody could verify it.

**Ms Arsenault:** If I might just give an example, I am in the process right now of computerizing an area that was not computerized before. We could have a lengthy debate as to whether or not if it had been the Toronto General and Toronto Western hospitals I would have made the same decision to computerize this area. If I would have, maybe I would have had two computerizations and I only have one now. So we could have quite an interesting academic exercise, but I am not certain what value it would have.

It is a real issue. It is a real problem to actually come up with numbers. They do not exist. They are not real. But no doubt in many cases we only had to do one conversion and hence we saved money. We did not have to buy the software twice; we did not have to put two implementation teams on it.

**Mr Duignan:** But nobody knows whether we saved money or not.

**Ms Arsenault:** There is no doubt we saved money and I do not think anything we have said should suggest otherwise. But the issue of how much it was when you did not have to buy a piece of equipment because only one of the two institutions needed it—tracking decisions that you did not have to make is part of what we would have had to do to come up with the full picture.

**Mr Duignan:** In May 1990, I think you filed with the Ministry of Health a report detailing some of these savings.

**Ms Arsenault:** That is what the report says. I was not with the hospital in May 1990.

**Mr Duignan:** Mr Chair, I wonder if this committee could be provided with a copy of that report. It was the report filed with the Ministry of Health dated May 1990, which indicated various annual savings from the merger. Is it possible to get a copy of that report?

**The Acting Chair (Mr Morin):** The answer is yes. We could ask the ministry, sure. Are you through?

**Mr Duignan:** Getting back to it, obviously you had a policy in place which you did not follow. Why have the policy if you did not follow the policy?

**Mr Powis:** Sir, I would like to check back and find out in fact what the policy was. It may well have been that



we had a policy that, for a period of time when the merger was first consummated, we would track savings. If we did have such a policy, I will find out.

**Mr Duignan:** I am just quoting from the auditor's report which states that you did.

**Mr Powis:** I understand and, as I say, I am surprised to see that as one of our policies, because if it was a policy, it was in place for a very brief period of time.

**Mr Duignan:** I will defer questions at this time.

**The Acting Chair (Mr Morin):** The next question is going to be asked by the Chairman. That is one of my prerogatives. It will be the last one also. I would like to ask the questions to you, Mr Powis. I would like to refer to an article that appeared in the *Globe and Mail*, November 28, 1991, and I will just read it.

"Provincial Auditor Douglas Archer reported on Tuesday that, among other problems, Ontario's \$17-billion health care system is not monitoring closely enough the \$6.4 billion it spends on hospital grants."

Further, the article says, "'The public sees our health care system as a public one. What the auditor's report has highlighted is that we do not have a public health care system. Rather, we have public payment for private practice.'" That was a statement made by one of your critics, I think, Dr Rachlis.

Then he states further on: "'More important however is that there is no way of assessing whether the money being spent on health care is being spent effectively,' he said. 'There is virtually no quality assurance or audit, whatever you want to call it. There is virtually none of that anywhere in Ontario.'"

I look at the revenues for the hospital, \$192 million from the Ministry of Health and \$75 million from other sources. I also look at one of the main complaints that seems to emanate from the auditor's report, a lack of monitoring on the part of the ministry. They say, "Yes, there is a dialogue," but I think a dialogue is not sufficient to prevent errors, to prevent problems, to prevent omissions.

How would you react to this idea of having a permanent representative of the ministry in all hospitals? The idea of this of course is not to interfere. The idea is to provide you with the information which is directly available from the ministry so that you can have this rapprochement, this close rapport between the government and the hospitals. In my opinion, it would prevent a lot of mistakes and a lot of errors, because I know that when you produce your report you produce it as it appears, as what you have seen, and you will try to establish all kinds of new controls in order to answer the criticism brought in by the Provincial Auditor. How would you react to having a permanent representative from the ministry attached to every hospital?

**Mr Powis:** I am going to defer that one to the chief executive officer.

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**Dr Hudson:** To respond to that question, we very nearly do have that system right now. We have an area team composed of three members of the government that meets in the hospital on a monthly basis to discuss a wide variety of topics on the agenda.

We are in telephonic communication with the accountant and with the area team leaders virtually daily; certainly at least one call a day between us and one of them. We of course file very detailed financial statements on a quarterly basis. Whether the office is going to be occupied in this building or one of this complex of buildings or in the hospital is really not much different, but the answer is, if the area team leader wants to take up residence in the hospital, I would be very happy.

**The Acting Chair (Mr Morin):** You would not see any objection to that.

**Dr Hudson:** No. It is almost happening right now.

**The Acting Chair (Mr Morin):** With your contacts with other larger hospitals and smaller hospitals, I know you cannot answer for everybody, but how would you think they would react as a whole?

**Dr Hudson:** I suspect the very close concept of a partnership arrangement between the ministry and the major hospitals which now exists and which we have supported very strongly has been very useful. I just use the transplant example as one that we have had in the past. I suspect that same relationship occurs with other hospitals, certainly the ones I know of which are mainly the ones around my area. As I say, if the actual room in which they work is going to move from here to there, we would be very happy with that situation.

**The Acting Chair (Mr Morin):** Would you have a positive reaction if a recommendation was to be made by this committee to that effect?

**Dr Hudson:** Sure. It will save us the phone calls. What I was trying to get at is, the concept of a partnership with the government is one which we agree with and which we have promoted. They have certainly done so from their side. The question of my access to Mr Decter or to other senior members of the ministry is not a problem. I can speak to them whenever I wish and they can speak to me whenever they wish. As I say, we do not track the calls, but I know Denise is speaking with the financial people on a daily basis. So we have a very close working relationship since Denise and I started last July.

**The Acting Chair (Mr Morin):** Thank you very much. This meeting is adjourned until 2 o'clock this afternoon.

The committee recessed at 1204.

## AFTERNOON SITTING

The committee resumed at 1400.

**The Chair:** We will resume. Unfortunately I was not here this morning as the Chairman, but I presume that you had made opening statements and that we were in the process of questions being asked by members of the committee.

**Mr Powis:** Yes, we were, but there are a couple of loose ends from this morning that we would like to clarify.

**The Chair:** By all means, give us those ends.

**Mr Powis:** Over lunch, we carefully collected for each of the members of the committee, and then brilliantly forgot to bring up here—we are just in the process of going and getting them—a number of documents which might help clarify matters that were discussed this morning. A question was asked by one of the members about the May 1990 memorandum that was given to the ministry with reference to savings on the merger. We have managed to find that. We have a copy of the Hansard of the course of the debate over the Toronto Hospital Act, which may help to clarify the understandings that were undertaken at the time. We have a copy of the purchasing policy. What else was there? A couple of letters from the ministry at the time the merger was approved, clarifying the understandings. I think that is it. We will have that in a few minutes; somebody has just gone back to the hospital to get it.

One other matter related to the policy of the hospital with respect to tracking merger savings. Denise, would you cover that, please.

**Ms Arsenault:** I have just had a discussion with the Provincial Auditor's staff to clarify why they thought the hospital had such a policy when we certainly were not aware of it, although we were not in administration at the hospital at the time these policies would have been written. The policy of the purchasing department was that merger savings achieved through tendering processes subsequent to the merger would be tracked. You will see in the May 1990 document that we have specifically listed the savings achieved through corporate tendering. Those savings were noted and are part of that document, the other savings that were not tracked in the same way.

**The Chair:** Anything further? Any further loose ends?

**Mr Powis:** Not at the moment.

**The Chair:** All right, if you get any more loose ends, just feel free to jump in. We will hear them.

**Mr Powis:** As I said, within the next few minutes we should have those documents. I do not know whether you want them distributed at the end of the session or right away.

**The Chair:** If they are given to the clerk, he will do with them what he considers appropriate, which will probably be to distribute them. In fact, I am sure he will distribute them.

I have a list from this morning and I think it is up to par, although Mr Duignan is not here. Miss O'Neill. Mrs O'Neill. Ms O'Neill.

**Mrs Y. O'Neill:** "Mrs." I have worked 32 years at that and I want to be called "Mrs."

I think, Ms Arsenault, that you made the statement that you could provide a laundry list of savings. I still find it somewhat confusing that you are not saying much about that laundry list. Could you give us some of the things that would be on such a list? You brought one forward.

**Ms Arsenault:** The May 1990 document that is going to be circulated does have some of the items. I think certain of the areas were mentioned this morning. Where previously we had two sets of auditors we only require one. We did not require the two hospitals any longer to be members of various associations that charge annual fees. We took our banking arrangements out for tender. There were all the economies of scale and the volume purchase discounts that we received through the purchase contracts. In addition, on the staffing side, we obviously had one senior management team, not two—the heads of departments, the medical chiefs and managers. Over a period of time the departments were consolidated and there was only one chief of surgery and one chief of medicine; So on the clinical side as well.

Furthermore, there were what I would call all the opportunity costs that were saved. We did not have to develop and implement two computer systems, which we referred to this morning. That is on both the patient care side and the financial side. Obviously, our computer is larger than either institution alone would have required, but the software costs and a lot of the hardware costs were not required.

**Mrs Y. O'Neill:** That is certainly more complete than what we had this morning. Would you say that what you have listed and what you may be able to present later today on paper were the savings you expected, or were there unexpected savings, or were there savings that were expected that have not yet been realized? Could you say a little about that?

**Ms Arsenault:** I was not with the hospital at the time of the merger. I do believe, from some of the conversations I have had, that where there were merger savings expected they were achieved. I am not certain whether the magnitude had been precisely forecast in each case.

**Mrs Y. O'Neill:** I want to ask you another question that relates to a question I was going into this morning. Were any accounting procedures changed as a result of the merger or, may I ask, even as a result of the comments of the Provincial Auditor?

**Ms Arsenault:** At the time of the merger there were two totally separate accounting departments. Over time the departments have been merged and it has been necessary to bring in common policies, to develop Toronto Hospital policies. In fact, some changes in accounting took place in the year of the merger. The practice of the Toronto Western Hospital was that it did not record the expenses for sick time and vacation pay in the year the vacation was earned. They only accrued the expense when the vacation was actually taken. It had been the practice of the Toronto General



Hospital to recognize the expenses as people earned the right to take the vacation. At the time of the merger, the accounting policies were changed to bring them in line, so that they were common to both sites. To my knowledge, that is the only accounting policy change that was necessary. That would have been because, in many respects, the hospitals followed policies because they were policies that were common from one hospital to another.

**Mrs Y. O'Neill:** So with the merger you went to one auditor, correct?

**Ms Arsenault:** Correct.

**Mrs Y. O'Neill:** Has the auditor made a lot of comments—I am not privy to that document—about the merger and about things that were expected? Are there a lot of notes to that effect? In your estimation, what would you say to that?

**Ms Arsenault:** The auditors' comments and focus have been on the expenses that were incurred.

**Mrs Y. O'Neill:** You mean the expenses that were incurred with the merger?

**Ms Arsenault:** No, generally, to run the hospital and for all the programs. Their focus has not been on the merger, although they would no doubt be aware of a number of the savings.

**Mrs Y. O'Neill:** I just want to go to one other thing, then, and that is the \$65-million capital expenditure that was part of the merger agreement. Would you like to say a little about what that has meant and where those kinds of funds have gone?

**Mr Powis:** The big piece of the \$65 million was the refurbishing of the Western division. That was to be funded \$32.5 million by the government and \$32.5 million by resources that the hospital would go out and find. We had a fund-raising campaign that did that. There was some money spent at the General site, I think, Alan.

**Dr Hudson:** There was some money spent on site consolidation of programs, which resulted from the merger. I mentioned this morning that all of cardiac surgery, for example, is now at the General. But essentially, the hospital's component of that deal is virtually complete. That is another of the examples we were giving this morning of people asking us to give finite examples of savings which occurred. The hospital's half of their deal has virtually been completed. In fact, that component is now being audited, so there is another finite example of a saving that resulted from the merger, because the hospital has now met, or virtually met, the government's half of that deal.

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**Mr Powis:** If I could just add, in the papers that we have given the clerk, you will see a letter dated December 10, 1987, from the ministry which outlines that arrangement.

**Mr Tilson:** I would like you to tell us a little about the laundry contract the auditor got into to some extent. You responded that there was an agreement in progress, which I assume is now completed. The auditor indicated that there was no evidence that the cost of the laundry services compared favourably with other suppliers. I would like you to comment on the general thrust of what the auditor

was getting into, as far as the laundry contract was concerned.

**Mr Powis:** I think that was part of his undocumented or untendered purchases. I will pass that over to Alan.

**Dr Hudson:** I will start by making some general comments about this issue. The laundry is an example of what successive governments have encouraged; namely, the prevention of duplication of effort among the various hospitals. It is a collective arrangement between a number of hospitals to form a joint laundry. That is the basis of the arrangement. That contract, I believe, was of 20 years' duration. At the time the auditor came through the hospital the contract had run out and had not been re-signed. As I said this morning, that contract has subsequently been passed by the finance committee of the board and is about to be signed in its new form.

To get to your specific point, about the fact that the auditor was not satisfied that we could prove that the laundry was done at a cheaper rate there than, say, elsewhere, one of the difficulties is comparing that particular laundry with a laundry elsewhere in the city in which there may be different circumstances. For example, specifically if a hospital is sorting and packaging laundry in one circumstance vis-à-vis the central laundry and not in other circumstances, it is a little difficult to compare them exactly one to the other.

**Mr Tilson:** That was a criticism of the auditor. I guess that gets to the real question, which is, how do you determine whether you are getting the best deal?

**Dr Hudson:** I understand that that was the criticism. I will ask Denise to get into the specifics of the process we went through to look at the costs of other laundries.

**Ms Arsenault:** There are a couple of issues. In some respects the facilities cannot be compared and in other respects they absolutely can be. The age of the building, the way it is set up, the age and makeup of the equipment in some cases mean that you cannot directly compare one facility to another. We have none the less been working with the other central laundry that is in Toronto and have started a process whereby the two boards, which consist of either hospital employees or board members who are members of the central laundry corporations, work together to facilitate that kind of evaluation. Direct evaluations of dissimilar circumstances are difficult, but they are none the less looking, as we all are in all areas, at ways to reduce costs.

**Mr Tilson:** I am getting into the whole area of procedure. You talked about the figures, as you did this morning. I am interested in procedures, as to what input the board had, what information was given to the board, whether it was made aware of certain information that perhaps the staff had; in other words, the comparison of rates between similar suppliers, all of that. In making your comments, I would like you to direct them more towards procedure.

**Ms Arsenault:** I guess there are two things. Within the Toronto Hospital, it is our practice that the financial statements for the central laundry in which we participate are circulated through the finance committee to the board.



That is part of our procedure. In addition to that, as part of our membership in the hospital community, there are statistical reports which show us our cost of laundry. It is actually done on a per-pound basis compared to other hospitals. That information we do have, and through our membership in our personal central laundry facility, comparisons are done there.

I do not know off the top of my head what our cost is but that information is available, and that productivity index is one which is used commonly in the industry.

**Mr Tilson:** What I am really looking at as a member of the committee is that I got the impression the auditor was not satisfied or not convinced that you were necessarily getting the best deal. What do you say to us as a committee, or to your board as a board, that you are indeed getting the best deal, again referring to procedure?

**Ms Arsenault:** We have information of what our productivity index is relative to other hospitals. That is one of the indices we would use. But the other question is, can we do better? We have a member on the board whose task is to ensure that we keep on trying to do better in our central laundry, and I just described one of the procedures we are using. One of the programs we are using to try to do that is to visit other central laundries and see what they are doing, what their costs are, and using that information to do better in our own.

**Mr Tilson:** What is the status of the agreement?

**Ms Arsenault:** The agreement was drafted, reviewed by the finance committee at the Toronto Hospital, needs to go through that same process for the other members of the central laundry in which we participate, and will be signed. It is expected that will take place within the next year. Just to be clear, the terms of the previous agreement are continuing. Everyone is continuing to operate under the terms of that agreement, even though it technically would have expired.

**Mr Tilson:** On what basis did you make that decision?

**Ms Arsenault:** The decision to continue with the terms of the agreement?

**Mr Tilson:** Yes.

**Ms Arsenault:** I am not certain. I know that those were the terms that were being adhered to. I am not certain what that process was.

**Mr Tilson:** Again, I am looking at procedure. Presumably someone was monitoring and seeing the time of the expiration of the agreement approaching. I mean, it is 20 years old. Therefore obviously there is going to be time for negotiation and all of that sort of business, and monitoring what is going on in other places. Again, it would be useful for us to know how you arrived at your decision to continue.

**Dr Hudson:** Both of us arrived, as you know, after the event. On looking back on those, it seemed to me that the decision was in fact a non-decision. I do not think people appreciated that this 20-year-old contract had in fact run out; the terms were regarded as satisfactory and the process was working very well and, as I say, avoiding duplicate laundries in all these hospitals. So I think it was when

the Provincial Auditor looked at it that the realization came that in fact the contract had to be renegotiated.

**Mr Duignan:** I have just seen a copy of your criteria for buying capital items here, for example. Maybe you would go through this process with me here for a few minutes. Is it an open tender or is it a selective tender process?

**Ms Arsenault:** I do not know.

**Mr Duignan:** You do not know?

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**Mr Powis:** I can find out and get back to you with it. I suspect it is a mixture of all kinds of things, but I do not know.

**Ms Arsenault:** The number of suppliers on many of these items would not be in many cases a terribly long list. You are dealing with specialized medical equipment and things like that.

**Mr Duignan:** Would you just call for an open tender on the whole process, saying, "We require a piece of equipment," and you would advertise for that? Or do you just go to a specific short list of suppliers and ask them for a price?

**Ms Arsenault:** I do not know.

**Mr Duignan:** I would appreciate that information.

**Ms Arsenault:** Sure.

**Mrs MacKinnon:** Thank you for coming before us today. I must say I am in a bit over my head, but then I have been that way before. I understand the plans for the hospital, following the merger, were to provide a wide range of care in the two hospitals and also to bring in a comprehensive health organization. Can you tell us the current status of the comprehensive health organization proposal as it is today?

**Mr Powis:** I will ask Dr Hudson to answer that.

**Dr Hudson:** This process to develop the comprehensive health organization was of four years' duration and was led by a group at the Toronto Hospital working very closely with members of the previous government and members of this government. The process was due to open and in fact the whole scheme to be kicked off approximately a year ago. At that stage, there was a major disagreement on two issues between the current government and the hospital, one specifically related to governance and the other related to some method of transference of funds within the system.

I was very keen to proceed with this plan, because it seemed to me to emphasize care in the community and an opportunity for teaching medical students on a community basis. It seemed to me to give exactly what we wanted at the Toronto Hospital, which is to broaden our storefront away from the very expensive high-technology areas into the primary care area. I discussed this with Mr Dexter, who was also very keen to pursue this, because the entire plan is totally in keeping with the government policy of care in the community specifically, as opposed to care in patient beds.

We came to a status that the board of the hospital felt we either had to get on with this plan or drop it, for a



variety of reasons including funding of personnel who were evolving this plan. I discussed this with Mr Decter, and by mutual agreement between the government and the board of trustees, we put the matter aside. In other words, it is off the table; it is not dead. We hope within the next few months to take this up again with the government, because we are keen for a whole variety of reasons to pursue it. Second, we believe it is very strongly in keeping with the policies this government and this Ministry of Health are espousing.

So to answer your question directly, it is on hold by mutual agreement between the board of trustees and the deputy minister, and we are very hopeful this will be resuscitated within the next few months.

**Mrs MacKinnon:** Maybe my next question will not work, then. It was pertaining to the funding. How much funding and how many personnel are currently devoted to that particular program or that development? I guess it is obvious. Maybe you do not have anybody now.

**Dr Hudson:** No.

**Mrs MacKinnon:** Or maybe you will see when you resuscitate it, as you say.

**Dr Hudson:** Right, but to reply to that specific point, part of the arrangement I made with Mr Decter is that the key group of three or four people who had gone through this four years of very detailed work would be retained on salary for the purpose of bringing this to light if it happens. In fact, with Mr Decter's knowledge, as I reported this to him, we have also used one of those four—Mr Vytas Mickevicius, the main person there—for another major task in the hospital, which in fact was that of acting operating officer.

So the answer is the funding is there until basically July or thereafter, and we are very hopeful that we can in fact finalize a deal with the ministry at that point.

**Mrs Y. O'Neill:** I want to go back to the savings; I know I seem to be bringing this forward several times. You had an 1987 budget and a 1991 budget and there is the 30% increase, and I know that there have been inflation and many other factors taking place, but the merger took place between those two years. In your humble opinion, would that have been a greater difference? Do you really foresee in a general way—and I am directing my question to Ms Arsenault at the moment and perhaps Dr Hudson. You would say that there has been a saving? As I say, my background is more in education, but certainly mergers in education do not always result in savings.

**Ms Arsenault:** Definitely. There is no doubt that there have been savings. They are real and they are tangible in many respects. In other respects they are not tangible, because they are costs that we did not have to incur as a result of the merger.

**Mrs Y. O'Neill:** You are suggesting that the result is that you have been able to put more money into services and service has improved. You are totally confident in making those statements?

**Ms Arsenault:** Definitely.

**Mrs Y. O'Neill:** If I may go back to the acquisitions, which was the line of questioning a few minutes ago, there is—and we were talking to the ministry officials who were with us yesterday—the cabinet document and directives on purchasing and supply management and there are definite requirements. I presume you are very familiar with that document?

**Ms Arsenault:** Not with the government's document.

**Mrs Y. O'Neill:** The management board document that deals with directives on supplies and purchasing. You are not familiar with that?

**Ms Arsenault:** Not with all of the specifics of it. I have some knowledge of it from previous work I have done, but it is not a document that relates directly to the hospitals.

**Mrs Y. O'Neill:** I would suggest that is not the opinion we had yesterday, and it is certainly not the opinion of the auditor. But anyway, that being said, it does give very clear directions about competitiveness or tenders or whatever you want to say, and a waiver being necessary.

**Ms Arsenault:** Yes.

**Mrs Y. O'Neill:** Would you have any knowledge of that process, and what I am talking about in relation to the cabinet document, even if you do not know the directive document?

**Ms Arsenault:** I think the practices that management board has are practices that would be—

**Mrs Y. O'Neill:** Across all ministries?

**Ms Arsenault:** I think generally followed in purchasing practices.

**Mrs Y. O'Neill:** Okay. But you said earlier, in reference to one of my colleague's questions, that you cannot say whether there were competitive or tendering processes or not, but you would find that out.

**Ms Arsenault:** I think the question was specifically as the details of how precisely we select the original list for who is on that supplier list, who is requested to submit a bid. It is with respect to that specific that I could not say.

**Mrs Y. O'Neill:** The waivers for the preferred suppliers: under what conditions would you be requesting waivers? Can you give us a couple of examples?

**Ms Arsenault:** Yes, I can. I gave one example this morning of a situation which would not be uncommon in the institution, where it is necessary to upgrade existing equipment. In those cases—not always, but mostly—you have to go back to the original supplier of the equipment, because it is only their upgrade that would work. We would call that, if you like, a preferred or a sole supplier situation. In those cases, it would not be necessary to tender; although in some cases we would tender just to ensure that we were right, that there was not a fit elsewhere.

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**Mrs Y. O'Neill:** The tendering: is it limited to Ontario? To Canada? Certainly your computer system was North America. Do you have any geographic limitations?

**Ms Arsenault:** No.



**Mrs Y. O'Neill:** So you go as broadly as you want, or do you discuss with your board how broadly you go? Especially in the kind of economy we are into now, I think we have to have some reasons for doing the things we do, particularly with the kinds of budgets we are talking about in your case. I guess I am back to the same question as my colleague: Is there any criterion that you can name off the top of your head where you would be able to determine how a tender is arrived at, or the people who are permitted to tender?

**Ms Arsenault:** In many cases there would not be a Canadian supplier in the area of high-tech equipment, for example. In that case there would not be a Canadian manufacturer, although there would be Canadian distributors, and obviously we would work with those groups. There is not a policy in the hospital right now. Our policy is to get the best price for the best equipment. That is what our policy is, and there is no geographic limit at the moment.

**Mr Villeneuve:** Right at the end of the morning session, the Chairman took the questioning and suggested to you that he may be looking to put an individual or a group of individuals from the ministry in your hospital to monitor or to advise or whatever. I understand there is a management team in place. Did I gather from your answer that even if Ministry of Health personnel were within the confines of your hospital, onsite, there would not be a great deal of difference in the administration of the operation?

**Dr Hudson:** As I responded to that question from the Chair, my answer was that we have a very close relationship right now. If physically that office of the area team leader was moved to our institution, we would clearly have no objection because in fact, in terms of policy, it is what we are pursuing right now.

**Mr Villeneuve:** So there would be very little difference even if ministry officials were onsite, in place?

**Dr Hudson:** Exactly. Either way.

**Mr Villeneuve:** I tend to be a bit sceptical about these things, because sometimes when someone suggests a person, it winds up being a team of people that is on public payroll and at that point it becomes more expensive. That is a concern of mine.

**Dr Hudson:** Excuse me, if I may respond to that, the area team to which I refer has other hospitals besides ours, which I think is a point.

**Mr Villeneuve:** I realize that. Yesterday—and you may not even want to comment—but a question came from me regarding the problems St Mike's Hospital had experienced with a very large deficit. We were told by ministry officials that officially they did not know about it, unofficially they knew about it, and very little was done until such time as someone came forth. Do you get a lot of direction from the ministry? Are you totally autonomous? Does it put its finger on a raw nerve from time to time and say, "This is not the direction"? Are you getting sufficient directives from the Ministry of Health, I guess is what I am asking? Or do you get too much? What is your opinion?

**Dr Hudson:** We have a variety of ways of sensing the opinion of the ministry. The ministry has recently adopted

as official policy of this government—or the government has adopted—a series of documents describing the broad parameters of directions of health care in this province, so we are very familiar with those documents.

Specifically, the ministry receives a series of reports; for example, the Orser report, which refers to the south-western region of this province as a possible model of managing health care in a series of local boards and so on. Another example is the Wade report, which I understand is currently being reviewed by the government and refers to the concept of the health science complexes, which I referred to earlier on. As these reports surface and are reviewed by the government, they are immediately reviewed by us and we discuss them both formally and informally with members of the government at appropriate levels.

I think it is fair to state that we are very well aware of the general policy directions in which this government and this Ministry of Health wish to proceed. In fairness, I think we are also aware of the details. On that score, in terms of us being aware of what the Ministry of Health is trying to achieve and the direction it wants to go, we are very well informed. The board of trustees in turn is informed by way of its monthly meeting. As a matter of fact, at the board of trustees meeting that we had this week, just as an example, the Wade report in its entirety was included in the board package. Mr Powis happened to chair that meeting. Part of the meeting was a discussion of the principles involved in that document. That is not official government policy, but it is a report generated and being reviewed by them.

**Mr Villeneuve:** To get back to transplant surgery, your hospital had a—

**The Chair:** Mr Morin has a supplementary on that last point.

**Mr Villeneuve:** That is right. He was questioning this morning—by all means; I yield.

**Mr Morin:** You say communications are good and the dialogue is good between your hospital and your representatives within the government, but I fail to understand and fail to see that the cooperation would not be better if you had somebody right on the spot. I am not only thinking about Toronto Hospital. We have 221 hospitals in Ontario. I can tell you cases where communication between the ministry and the hospital was nil. These are the hospitals I worry about; yours, of course, like any others.

But the proposal that I put on the floor this morning was to establish better cooperation and better understanding of what the procedures and the legislation are all about. Surely when you communicate better you prevent mistakes like we have seen, omissions which we have seen, which have been reported by the Provincial Auditor.

Mr Powis, I direct that to you, a well-known and respected businessman. If I invest money with Noranda mines, I want to know that the directors are doing a good job; I want to know that I get a good return on my money. That is the purpose of it all. It is not to create a bureaucracy. We know too well that if you have too many people involved, you create more problems.

I think a well-qualified representative on the spot—of course he would not stay there for years; I would be afraid



that he would probably be brought in the system—on a rotating basis could be brought from one hospital to another. It would not only be good for the hospital; it would be good for the ministry and it would be good for all institutions. I am not thinking of a system where you have Big Brother looking over your shoulder. I believe in freedom; I also believe in the freedom of trying out new systems. I would just like to know a little more about that. Is this an objection that you have stated or is it something you feel would not be necessary?

**Mr Powis:** If I understood what Alan was saying, you have to remember that we are just down the street from the ministry and that there is very close communication between the hospital and the ministry. In the case of the Toronto Hospital, I do not think you would gain very much by actually physically moving one or two people down the street into our place. In the case of some other institutions, where there has been a serious lack of communication or understanding—I have not thought it through—it might make some sense. Have I paraphrased you all right?

**Mr Tilson:** It is a question of who is watching the watcher.

**Mr Morin:** Can I interject, Mr Chair?

**The Chair:** Mr Villeneuve has given you the floor.

**Mr Morin:** It is not a question of watching; it is a question of having a system that works, a system where we know we get a good return on our investment. It is as simple as that. I am not aiming strictly at Toronto Hospital. I am not doing the whole report. Surely there must be a way where there is full cooperation between the ministry and the organizations. I know how the boards of directors are appointed and I will be careful what I say there, but it is not always the right person on that board. We know how they are appointed. The competence is not always there.

What I am recommending, and I am repeating myself, is more or less a system where there is closer cooperation. We make sure that the legislation is followed closely, that the regulations are followed and that the purchasing is done properly—it is as simple as that—so that when the Provincial Auditor comes in and there is a mistake made by the institution, the institution has followed our recommendations closely and that is the way the system works. It is to prevent problems. That is what it is in reality. It is not another bureaucracy; it is not Big Brother watching you. That is not what I am saying.

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**Dr Hudson:** Sir, through the Chair, maybe I could respond in two parts. When I say we have very close communication with the government presently, I am not referring to one person. My colleague here is phoning the financial people every day, and I may be discussing broad policy issues with Mr Dexter and so on. If we were to replace that in the hospital, we would of course require a very large government team with which would we communicate every day to cover all these aspects.

I think the second part to which you may be referring is the statement, made by the auditor, about a lack of cooperation at the Toronto Hospital. As you heard this morning, there has been a major change in personnel and systems

since that visit. Those changes in personnel and systems were in fact reviewed with the Provincial Auditor at the hospital in December. I would like to think that if the Provincial Auditor visited the Toronto Hospital today, he would not have cause to state that there was lack of cooperation. I am sure he would not.

**Mr Villeneuve:** Back to the transplant surgery. I think this morning you mentioned that in certain transplant surgery—I think it is liver and lung—your hospital stands to lose some \$40,000 per surgery. If you were to increase that type of surgery, would that mean you would be having to reduce numbers of beds? What happens here? What sort of guidelines, if any, would the ministry have for you if your medical team decided that yes, for whatever reason, more transplant surgery is needed for the patients you serve? Would that create a major dilemma for the board?

**Dr Hudson:** Yes. But if in fact the province-wide load of patients requiring transplantation increases, as it will, the government will recognize this, because among other things we bring it to its attention. If they then feel that on a province-wide basis the University of Western Ontario in London, and Ottawa and Toronto need to develop a plan to cope with whatever segment you are referring to, then of course we would expect that along with the plan of increased volume would come increased funding to handle that load. That is how I would anticipate a plan being formulated on a provincial basis and funding flowing from the ministry to cover that increase.

Otherwise, as you say, first the board's position is that if the funding is not there we cannot do the work. Somebody just referred to the St Michael's document a minute ago where that point was made repeatedly. In that circumstance of course we get caught very badly. To some extent we reshuffle priorities within the hospital, but there is clearly a limit. In that circumstance we would not be able to accommodate the increase. This depends very directly on the combined plan between the hospital and the government in that very expensive type of expanding program.

Finally, now that the line item to transplantation has been increased by \$5 million, the answer is that at the Toronto Hospital we are in the process of establishing a new budget. But included in that budget, of course, is a capping of the program; we will do X livers and X lungs and X hearts by agreement with the government and then we will come out on budget.

**Mr Villeneuve:** Now that is an interesting statement. It is a very informative statement you have just made. At the time of amalgamation, how many active beds did Toronto Western Hospital and Toronto General Hospital have? Do you recall that?

**Dr Hudson:** I think we were rated previously at 1,400. As I explained earlier today, we are down by over 200-odd. We are now in the high 1,100s.

**Mr Powis:** At the time of the merger the Western was 660 beds and the General was 1,000.

**Mr Villeneuve:** So 1,660.

**Dr Hudson:** I am talking about the recent downsizing. Mr Powis is correct, I think.



**Mr Villeneuve:** And you presently have approximately?

**Ms Arsenault:** Twelve hundred.

**Mr Villeneuve:** In total, 1,200 active beds. If I recall correctly from this morning's deliberations, I think your increase in costs since 1987 has been about 30%—you have explained that in a number of ways—and transplant surgery has certainly contributed to that in part. Would you want to add to that right now? Those are the figures.

**Ms Arsenault:** There have been some very significant changes in the delivery of health care as well. Through some of the new technologies that are available and through changes in the way we treat people, in many respects I think we need to understand that we send home patients who previously would have stayed in the hospital. They get cared for at home sooner than was historically the case. You know that women who deliver babies used to stay in for five days. It is now two or three days.

There have been many changes in the way health care is delivered. Some of this decrease is because things which previously had to be done on an inpatient basis can now be done, as a result of new technologies, on an outpatient or day surgery basis. In other cases, as a result of improved drugs and sometimes differences in philosophy, the length of stay is down as well. No doubt with the pressures on the system this will continue and we will move more and more this way.

**Mr Villeneuve:** As much as we are all very reluctant to equate dollars to health services, I think we have come to where we are going to have to yardstick one way or the other. You have just made the statement that certain surgeries are capped. That is an interesting one and I think it will help this committee to come up with some recommendations.

**Miss Shroff:** You might want to cover the new programs that came out of all these mergers. We have a laundry list of very successful new programs that came through without any funding from the Ministry of Health. They came about as a result of merger savings. You might want to laundry-list some of them.

**Mr Villeneuve:** That will probably be part of a presentation that I believe Denise will be providing or that someone will be providing us with.

**The Chair:** Mr White is up next, but I understand Mr Hayes had a supplementary.

**Mr Hayes:** I really want a clarification, Mr Chair, and I am responding to Mr Morin's question. I do not know if I heard you correctly. In several parts in the auditor's report, where senior management had declined to provide certain information, did you say there was a change in personnel or something there so that if the auditor were to go there now, some of the responses would be different?

**Dr Hudson:** I will not detail the list of the numerous changes again; I would be happy to do so if you would like me to. What I said was exactly that: I am sure you would not have reason to say that we were uncooperative. In fact, we have already had him back in December to review the changes in personnel and proceedings, and I asked him very directly, "Are you satisfied with what we have done

to put right what the problem was in terms of systems?" I believe it is appropriate to state—in fact I will say it right out—that he agreed what we had done was appropriate. My statement now is just as I said, that I hope he would not find cause to repeat that statement.

**Mr White:** This is a question which is totally removed from some of the earlier ones. It comes about in my trying to reconcile some of the reports at the back of this document and the text of it. Your fiscal year is April 1 to March 31?

**Miss Shroff:** March 31.

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**Mr White:** So when we have the hospital's revenue expenditures as for 1991, \$417 million, would that be 1990-91? That is right, okay. So in 1990-91, the budget was \$417 million. Did you have a surplus or a deficit that year?

**Ms Arsenault:** Surplus.

**Mr White:** Surplus. In the area of how much?

**Ms Arsenault:** For Ministry of Health reporting purposes, I do not have the numbers laid out that way here, but I would venture to say that it would have been a small surplus.

**Mr White:** By "small" you mean \$1 million?

**Ms Arsenault:** In that range perhaps, yes.

**Mr White:** The other information I have at the back here I find a touch on the confusing side. The present year which we are just coming to the end of, your budget for that year is how much, for the 1991-92 fiscal year?

**Ms Arsenault:** In the range of \$450 million or \$460 million.

**Mr White:** So it is \$460 million budgeted for this year, and you have a projected deficit of \$10 million?

**Ms Arsenault:** On the current year, as a result of the changes that have been implemented, we are hopeful, although it is going to be very tight, that we will break even for Ministry of Health reporting.

**Mr White:** I am sorry, you said what?

**Dr Hudson:** The Ministry of Health line will be a break-even budget at the end of this year, as a result of the issues we discussed this morning, which are the downsizing manoeuvres we put in place in August and the later part of last year. So the financial issue, we found, has been defined and controlled, and we will end on the Ministry of Health line with a flat budget.

**Mr White:** When you say, "the Ministry of Health line," you do not mean your total budget? So other moneys would be what?

**Ms Arsenault:** The Ministry of Health, for reporting to it. They expect that buildings, for example, will be separately funded and handled either through separate grants or through separate fund-raising by the board of trustees in the hospital. They measure, if you like, whether or not you have broken even by excluding certain depreciation and things like that.

**Mr White:** So basically, at \$460 million, you are anticipating being able to break even this year. That would



be a budgeted increase of something in the neighbourhood of 10% above last year's?

**Ms Arsenault:** Yes. I am hesitating a little bit because the numbers get reported differently. I am not certain what the source of these numbers was and where certain items appear. Certainly, the Ministry of Health awarded us a 6% increase at the beginning of the year and another 1%. I am not certain that it would be 10%. I think it would be less than 10% in fact, perhaps closer to 7%, but I do not have the numbers with me.

**Mr White:** When you were saying \$460 million, it may be less than that?

**Ms Arsenault:** Yes.

**Mr White:** You are starting to experience financial difficulties, as I understand from reading these newspaper clippings. There are some statements in here that seem to me a little strange, but I have seen quotation marks in the paper around words I know I never uttered, so I am sure that was the case with Dr Hudson as well. But when you start to experience financial difficulties, how are you aware of being off-line?

**Ms Arsenault:** Pardon me?

**Mr White:** How do you become aware of becoming off target? This would have been about six months into the fiscal year?

**Ms Arsenault:** It is our practice on a quarterly basis, and in fact you may be pleased to know that it is a requirement by the Ministry of Health, if hospitals were not inclined to do it anyway, that we submit a forecast to it every quarter. So we had to submit a forecast to them. We have a practice at the Toronto Hospital that on a quarterly basis we undertake detailed reviews—the people are required to forecast what their expected results are to year-end, and this is done on a department-by-department basis—and have our team of accountants actually tally the results, and it is through that process.

**Mr White:** With these forecasts going back to October of this year, what you have been dealing with would have been the third-quarter forecast?

**Ms Arsenault:** The third quarter ended in December, so we have completed the third-quarter forecast, and it is on the basis of that forecast that we are now saying we will break even, although as I say it will be tight. I am not certain when that quote was, but it would have been on the basis of either the first quarter of the fiscal year or the second quarter of the fiscal year.

**Mr White:** So it would be the results of the figures from the—

**Ms Arsenault:** The June results or the September results, yes.

**Mr White:** Seeing as these statements are in October, it is quite likely the results of the second quarter. At that point, if you had to make a \$10-million adjustment for a full fiscal year, you would have been \$20 million out. Had that not occurred?

**Ms Arsenault:** There were two parts to the problem that was identified there. One part was a problem with our

operating costs and the second was a problem on the capital side, the equipment side. We took corrective actions on both fronts, one to put a virtual freeze on equipment purchases except where they were absolutely required for patient care or for employee safety, and we also took action to get the operating problems resolved, so there were the two sides to that problem.

**Mr White:** The operating problems would be overtime?

**Ms Arsenault:** There were a number of problems on the operating side. One of the big problems that we had was that we had been expecting some attrition which, as a result of the economy, did not occur. We had expected it. It had been the hospital's policy that it did not lay staff off, but with the change in the economy, we did not have the normal attrition rates. We realized that we could not wait, and I guess at that time as well we were aware, the rumours were circulating, that the economic increases for next year and the year after and the third year were going to be very small, such that we could not carry a problem into next year or we would just be magnifying the problem.

**Mr Duignan:** I am going to continue with my colleague's opening questions around the question of surplus money. Could you maybe follow through the process of this surplus money? What would happen to that money? Would it be returned to the ministry, be put into a special account to offset a deficit if there was one next year or would it go into the foundation account?

**Mr Powis:** I cannot remember a year when we had surplus money.

**Ms Arsenault:** The number, I believe, is in fact less than \$500,000, but the surplus I am discussing is if you take all of our revenues, both from the ministry and from other sources, and deduct all of our direct operating expenses. I think that in the year in question the surplus was less than \$500,000. However, we have many equipment purchases that are required either for new technologies or to replace existing equipment. There was all of the renovation that was being done, in particular at the Toronto Western division. So the surplus was not a cash surplus.

The current policy of the Ministry of Health is that the hospitals are responsible for managing within the funds they have available and that those funds are to be used not only for the direct day-to-day operating expenses but also they have to manage in such a way that they have available, through those funds, sufficient cash to replace equipment as it is needed. So this less-than-\$500,000 surplus would have provided some cash that was available for those capital costs.

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**Mr Duignan:** The question I asked, though, was what you did with that. Did you set it aside in a special bank account for capital purposes? Where did it go?

**Ms Arsenault:** No, it was not set aside in a separate bank account. It was part of the main bank account and was used to finance equipment purchases.

**Mr Duignan:** In a later year?



**Ms Arsenault:** I do not know if it was in 1990-91 or in 1989-90. I am not certain what the time frame was.

**Mr Duignan:** But it would not have been used to purchase equipment approved in that previous year?

**Ms Arsenault:** Likely in the next year.

**Miss Shroff:** It is definite that we would not have known, by the time all the books are added up, that we would have a surplus to spend right away in that year.

**Mr Duignan:** I am just kind of curious as to how my surplus money is spent. That is taxpayers' money.

**Ms Arsenault:** I am not certain whether in fact at the beginning of the year the hospital was budgeting to generate the surplus. If they had budgeted to generate the surplus, then it is quite possible that they would also have budgeted to buy a piece of equipment with that money. If in fact they achieved a bit more of a surplus than they had budgeted, then likely they would not have planned to use that money.

**Mr Duignan:** I will defer questioning. I know it needs some more detailed questions, but I am running into Mrs O'Neill's time.

**Mrs Y. O'Neill:** I wanted to go to the policy manual, your "Assurance of Competitive Purchasing" page if I may, just to clarify. Point 1.0.1, "if any item is under \$5,000, no formal tender process is necessary." How do you define the term "any item"?

**Ms Arsenault:** The process starts with a requisition that would be received from the department that would require the supply or the service, and that is what would have been meant by an item.

**Mrs Y. O'Neill:** Is it one single item or is it a group of items or is it a category of items?

**Ms Arsenault:** It would in some cases be a category of items. If you were tendering, if you were redoing an area and bringing in new beds, perhaps any one bed would cost under \$5,000, but if there was a group of beds that in total would cost more than \$5,000, formal tender would be required.

**Mrs Y. O'Neill:** So the term "any item," is that generally understood within the hospital?

**Ms Arsenault:** It certainly would be understood by the purchasing department, which are responsible for the tendering, yes.

**Mrs Y. O'Neill:** Okay, if I may go to point 5.0, "all regularly purchased items of significant dollars are to be checked for market competitiveness on a periodic basis." Could you tell me a little bit about how that is done?

**Ms Arsenault:** I am not certain. The purchasing area does not directly report to me so I am not certain what their process is there. We could find out.

**Mrs Y. O'Neill:** I think that is useful.

If I may, Dr Hudson, and I do not often question on newspaper articles, but we have been along this line of questioning earlier. This is not in quotations; part of it is and part of it is not. You might remember the article from the Globe and Mail of October 24, 1991. After you had assumed your position, you said an internal financial review

disclosed there was "quite obviously a significant financial problem, which was news to me."

Could you say a little bit about the internal finance review you were referring to? I would like you to clarify for myself and generally the committee what you mean by, "it was news to me." You had not investigated the financial status of the hospital of which you were going to become the CEO? I just wanted to clarify what you were saying here.

**Dr Hudson:** I understand. If I may, just by background explain, I was functioning as surgeon-in-chief of the hospital, so I had no reason at that stage to look into the details of the finances of the hospital as a whole. When I took the position, I suspect I did what any other president taking a position would do, and that is to review the finances of the institution. So the variety of problems which came to light were news to me. I did not know about them before I got there.

**Mrs Y. O'Neill:** So you are really suggesting that this was not part of the interview process or whatever process you went through?

**Dr Hudson:** No, no. This was after I took the position.

**Mrs Y. O'Neill:** You did not deal with that during your interview process with the board and/or whoever else you were dealing with in the interview process.

**Dr Hudson:** Yes. During the interview process I did not ask for a detailed financial summary of the hospital. If I may explain a little further, the type of problem which came to light coincidentally with my appointment resulted from such things as major conversion in systems, in accounts payable, for example, where there was a glitch and a large number of accounts payable and invoices were not being processed properly. This was a large amount of money, and when this came to light, it showed very quickly on the financial transactions of the hospitals. When I assumed my new job, the first thing I did was to review the finances. It was that kind of thing which came to light. So it was news to me. I did not know those problems existed.

When I found that they did exist, and by that stage I had spoken to Mr Decter in terms of a general forecast of what was going to happen in the next three or four years, it was quite clear we had to straighten out our problems with regard to those problems I have just enunciated before we could come face to face with what I thought was going to be 2% but was in fact going to be less than that. That was the reason it was news to me. That is the reason we had to get moving to sort it out in a hurry, which we did.

**Mrs Y. O'Neill:** Was the internal financial review in process when you took your position or was it something you initiated?

**Dr Hudson:** What had happened is that Miss Denise Arsenault had just preceded me in her appointment as the chief financial officer, and between the two of us we were both feeling our way into our respective positions, so that review took place essentially between the two of us as we went through the structure of the finances. These issues came to light and I reported these personally to Mr Decter



and told him that we now had to find the problem and that we would put it right, which is what we did.

**Mrs Y. O'Neill:** So this would have been part of the road to the deficit that was projected, I guess.

**Dr Hudson:** That is correct.

**Mrs Y. O'Neill:** In your taking of that position, those things came to light and you feel that you took immediate remedies. Was the internal auditor or the external auditor involved at all? Had any of this been discovered up to the time? Were there any notes?

**Dr Hudson:** When I am responding and say "I", I am using a bit of poetic licence. Obviously the report is from me to the board and hence the board's responsibility. But just to continue the line, immediately I met with the external auditors and subsequently met with the chairman of the board of trustees and the external auditors and met with the chairman of the internal audit committee to discuss the whole issue and, essentially, put it right.

**Mrs Y. O'Neill:** So you had basically their agreement in the way in which you had decided to proceed and—

**Dr Hudson:** Oh, absolutely.

**Mrs Y. O'Neill:** This internal auditor that is bridging these two hospitals now is quite involved in implementing the suggestions you were making.

**Dr Hudson:** Very much so. This is a senior and an experienced individual, which is the reason, of course, for the choice. This individual has had a lot of experience at the Hospital for Sick Children. The two hospitals share the same external auditor, so we are using this mechanism to build a very strong internal audit department.

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**Mr Tilson:** I would like to return to the subject of the merger. I think Mr White asked some questions of interest from his own riding on the possibility of mergers of boards. I have an interest in my riding as well, and there are probably other boards throughout the province that are watching your experiment, so the subject of the savings is certainly most important to us personally and to members of this committee personally.

Just so I am clear, I think the question was asked here this morning that there is hospital policy to keep records on the merger but you were not aware of that policy, or if there was such a policy, it was not adhered to. Is that what your comment was this morning?

**Mr Powis:** We sort of went back over it at lunch and tried to figure out where it came from. There was a policy in the early years of the merger for the purchasing group to keep track of savings arising out of the merger, but only in that one area. It certainly was not kept as an accounting record. They just I guess sort of jotted down when they made a cheaper purchase, "Okay, we saved this much." It is not a precise figure in any case, but that is the one area where they tried to keep track of how much they were saving as a result of the merger, and I think that number was the one I was throwing around this morning, which is around \$10 million.

**Mr Tilson:** Presumably financial records have been kept by both hospitals in the past. Have analyses been

made, now that the subject has surfaced, or are analyses being developed, comparing what existed with the previous boards and what is existing now?

**Mr Powis:** No analysis has been made. You know, you have raised an interesting question, and if we can figure out a way to do it, it might be quite interesting to take a shot at trying to figure out what those savings are. But I would caution you that they would be guesses. They would certainly not be subject to any audit verification; you would just have to take our word for it.

**Mr Tilson:** The reason I am asking the question is quite frankly not to analyse what you are doing, although that is obviously part of our role here today, but also just to consider the policy that appears to be going forward of the unification of more boards. If it is not paying, then why do it?

**Mr Powis:** I can assure you that in our case it did pay and it paid—

**Mr Tilson:** But you cannot tell us how. That is the trouble.

**Mr Powis:** I can tell you how; I cannot tell you how much. The consolidation of clinical services undoubtedly saved an enormous amount of money, but I cannot tell you how much.

**Mr Tilson:** The comments were made by the auditor that, "We requested this information from the hospital"—this is with respect to the merger—"but senior management declined to provide it, stating that it was not an accounting record and was therefore beyond the scope of our inspection audit." Is that a misunderstanding? Is that an accurate statement or was the information simply not available?

**Ms Arsenault:** We had a conversation before the meeting started again. I mean, this was a true statement. I think that technically this was beyond the terms, beyond the scope of the inspection audit. So while this was true and no doubt members of management made this statement, what would also have been a true and perhaps more helpful statement is that we do not have a detailed listing of the savings, for all the reasons we have discussed.

We have now provided this May 1990 document, which gives some sense of the nature of the savings. I do not think, however, it discusses the changes at the management level, the fact that you only needed one management team, not two. So it is not complete and I think we can certainly go back and try to round it out.

**Mr Tilson:** Again, I may be misinterpreting what you are saying, but can you explain why it is beyond the scope; why you feel—not you personally, but why your hospital thinks it is beyond the scope?

**Ms Arsenault:** Naju, I do not know if you know. I do not have the actual terms of the inspection audits or what the scope of the Provincial Auditor's jurisdiction in hospitals is, but they have access to "accounting records," and these in fact were not official records, which was what the problem was. They could have and would have had access to information that would have shown the tendering practices, if there had been a way of actually flagging that the



reduced price was the result of the merger. For example they could have sent in a team that I guess could have explored every time there was a reduced price, perhaps, for an item, and then come back to us and asked if this was the result of the merger.

**Mr Tilson:** You are saying the information or the analysis simply was not available, but you gave them everything you had. Is that what you are saying?

**Ms Arsenault:** No. I think that at the beginning of the audit the scope of the audit was agreed upon, and it was the view of those who had agreed upon the scope that this was beyond the scope. Is that—

**Mr Tilson:** I do not want to get the auditor involved in this, quite frankly.

**Ms Arsenault:** I think that is a fair representation. I am not trying not to—

**Mr Tilson:** One of the comments the deputy minister has made with respect to the redevelopment of the Toronto Western site was that there was a \$65-million capital expenditure made and that this is in fact, perhaps because of the merger process, one half of the funding as opposed to two thirds of the funding.

**Ms Arsenault:** Exactly.

**Mr Tilson:** I would like you to comment on that, and if that is the case, how did you fund the remaining \$11 million?

**Mr Powis:** I am not sure I really understand the question.

**Mr Tilson:** You got one half when normally you would have got two thirds. So you are short, you are short on your funding. I guess my question is, specifically, where did the remaining funding come from?

**Mr Powis:** Like merger savings?

**Dr Hudson:** Merger savings. That is the answer.

**Ms Arsenault:** That is right. That is what it was.

**Mr Tilson:** All you have to do is tell me; tell me where you got it and how you got it. Again, I am getting to the question. It is very crucial to this committee. There have been at least two members of this committee who have expressed an interest in merger savings and we are trying to find out more specifics.

**Dr Hudson:** That is the answer, that the half of the deal provided by the hospital was derived from merger savings.

**Mr Tilson:** Do you have documentation that says that?

**Dr Hudson:** No.

**Mr Tilson:** At one point you say you do not have records. At another point, in answer to a question, you say the \$11 million came from savings from a merger. I am not trying to ask you trick questions.

**Dr Hudson:** No, I understand what you are getting at. I guess my response then would be that there is no line item flowing from the ministry identifying \$11 million or \$23 million that we put into it. So that is where the money has come from. In other words, it does not come from extra sources from the government that we could identify. I understand it is not answering your question directly, but looking at it from the corollary, there is no line item from

the government to say that it has flowed our half of the deal to us. They have not. We have derived it from our own operations.

**Mr Tilson:** Somehow the Ministry of Health has come to the conclusion that there were savings, and with all due respect, I get the impression, "Trust me, there were savings." Maybe there were; I simply am looking for specific evidence as to what those savings are, for the reasons I have given. That is really all I am looking for, and I guess, if you have the information, fine. If you do not have the information, I must confess I am left with the question mark, what were the savings? How much were the savings? Is it worthwhile to have two boards merge, because in this merger they do not seem to be too clear as to what their savings were.

**Ms Arsenault:** But there is definitely only one president. I mean, some of these things are very tangible. There is definitely only one president. The audit definitely costs less than the sum of the two audits did before. We definitely only had to develop one computer system.

**Mr Tilson:** Did the Ministry of Health ask you specifically what the savings were? I cannot believe this question has popped up today, that someone has not come along specifically with your own funding. There must be some paperwork around that you have given to the Ministry of Health that tells what—when you had meetings with the ministry—

**Mr Powis:** The only piece of paper we have given to the Ministry of Health that we know of is one we shared with you this afternoon, dated May 1990. There is no piece of paper we are hiding from you that says, "Okay, we saved \$45 million."

**Mr Tilson:** Would you be prepared to give us the minutes of meetings you have had with the Ministry of Health officials on the subject of merger?

**Mr Powis:** I do not know that we kept minutes.

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**Mr Tilson:** You did not keep minutes?

**Ms Arsenault:** I was not there, but I suspect the conversations would have been along the lines that: "We are moving this service from here to there, that we are consolidating it in this way. As a result, we are going to be able to take the savings from doing that and redirect them into X,Y or Z" at the time. That is the problem. The problem is that at the time a decision was taken and it was reflected in things, but there was not a magic list that was kept that said, "This is a merger saving." In some cases, often it is not so clear as to whether it is merger, part merger, an opportunity cost that you—

**Mr Tilson:** One could speculate that the cost of merger could be expensive. In fact, the auditor said that. Costs have risen 30%. I do not want to repeat what we said this morning, but there are conflicting statements coming back and forth as to the whole subject of merger.

**Mr Powis:** I do not think the auditors were trying to say there were no merger savings. They just simply pointed out that in spite of the merger our costs went up 30%. That taken in isolation is—



**Mr Tilson:** I agree. That is unfair.

**Mr Powis:** I am not accusing you of being unfair.

**Mr Tilson:** In 1987 and 1991 on the inflation alone—I have been around here a very short period of time, but long enough to know that hopefully decisions are made with some rationale. The merger decision must have had some rationale and there must have been some projection as to what the savings were going to be. There must have been some justification, when you are going back to the ministry and asking for more funding, of what those savings were. I cannot believe that does not exist. It is almost as if we are shuffling cards.

**Mr Powis:** I suspect it probably does not exist on a piece of paper anywhere. My recollection at the time we were considering the merger is that the statement was made and backed up by scratches on the back of an envelope more than anything else; that we would save up to \$10 million a year administering the thing. That was known to be a totally imprecise number at the time. You knew you would save a lot of money. We never actually said, "Okay, we will save \$9.85 million a year," or some number like that. It just was not there. You knew you would save money, though. I promise you we have saved money. The fact that we are merged does not mean the whole operation costs more. It does cost less.

We can take a shot, as I said earlier, at trying to produce a number, if that is what you are really interested in. You should understand that it will be just a total guess, but it will be an informed guess.

**Mr Tilson:** I do not want you to go spending half a million dollars to make another study either. I can only leave you with this question, and I am concerned that there are not specifics justifying the merger, that there were not some projections explaining why the merger should take place, because obviously this is what the auditor has said. The auditor has tried to find out this information and cannot find it. I have the same question the auditor has. Mr Chair, I will leave it at that. Whether any members wish to pursue this area, fine.

**Mr Duignan:** Let's get back to the purchase agreement for a little while. Item 2.0, capital equipment: You outline a number of areas for various dollar values and processes to follow, except there are some exceptions to that, and those are: "(a) a sole-source supply situation; (b) where a current contract exists; (c) where the use of a different supplier will void a warranty;" and "(d) when target pricing is used."

Under "(b) where a contract already exists," and then going back to the auditor's report, was that the reason you purchased new laundry equipment, because of that exception?

**Ms Arsenault:** We do not consider the Booth Avenue Hospital Laundry Inc to be a supplier. It is something we own and we are using our own laundry. We own 30% of that laundry. We would not have considered Booth Avenue Laundry to be a "supplier" to the hospital. I know the provincial auditors, in their report, did list the issue of Booth Avenue under the question of supplies because per-

haps it did not fit in anywhere else, but really they are part of the hospital. We own one third of them.

**Mr Duignan:** Again, under appendix A it states in 1.0.4 that "preliminary market research is done by purchasing/technical support to identify potential suppliers and best estimated price." Is that how the price is determined, or is a tendering process part of that?

**Ms Arsenault:** No. This is up front. In order for us to go through the process, even before you get your piece of equipment approved for purchase it is necessary to take it through the approval process, either to the board of trustees or to the fiscal advisory committee. Up front what is necessary, in order to have a sense of the magnitude of the approval that is needed, is to do some preliminary work. That is what this is referring to.

**Mr Duignan:** So if you wanted a new piece of equipment, you would get your purchasing people to sort out what is available on the market. Because technology changes so rapidly these days, would you consider at all or do you put an ad in the trade magazines, for example, to indicate that you are looking for such and such piece of equipment and invite suppliers to submit a price quotation and/or use of that particular equipment to test it?

**Ms Arsenault:** The Toronto Hospital has, in most areas, the people who are leading clinicians and who know what is available. It would be unusual for there not to be the expertise within the hospital knowing what is happening. It would be different perhaps in a community hospital where you would not have the same sort of education commitments and things like that.

**Mr Duignan:** So that would actually vary from hospital to hospital.

**Ms Arsenault:** Yes.

**Mr Duignan:** That process you are talking about applies to clinical equipment, or is it to all equipment?

**Ms Arsenault:** Or the information systems group.

**Mr Duignan:** So you would apply that same criteria to purchasing the computer system you bought?

**Ms Arsenault:** I am talking about the computer hardware, generally, whether it would be microcomputers—our information systems group would have a lot of knowledge because of the nature of that group.

**Mr Duignan:** I will defer further questions.

**Mrs Y. O'Neill:** I am going to go back to one of my colleague's questions again. Has the consolidation resulted in more efficiencies than you would have expected? Mr Powis mentioned \$10 million was what the ministry thought and you thought when you went into it. I realize you are telling us you do not have any figures. Have you been able to consolidate more than you thought you could? Hopefully that may result in more efficiencies. I am not sure it directly does. I do not know whether you can answer my question, but I think it is really important that we pursue this, since you really are pioneers.

**Dr Hudson:** The overall plan for the benefits to be derived from the merger was known as Vision 2000. That was the title of the plan, meaning that these changes and



the benefits would accrue through the decade. In fact, the vast majority of the changes took place before the end of last year. That whole process was extraordinarily speeded up, among other reasons, because of the tremendous change which has occurred in the health care environment in the province. Did it exceed expectations? The answer is yes. It exceeded expectations by about nine years, in that argument.

To further that argument, the hospital is having a major repeat planning exercise which will take place the beginning of June this year to give us a new framework for management decisions and implementation of systems and responsibility and reporting mechanisms. This time we will not attempt to forecast what is going to happen in the next decade, but we will attempt to forecast what will happen in the next three or four years.

**Mrs Y. O'Neill:** You mentioned earlier that you have two units of the Ontario Nurses' Association.

**Dr Hudson:** Yes.

**Mrs Y. O'Neill:** Is that resulting from the merger?

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**Dr Hudson:** What we hoped would result from the merger was one unit of the ONA. In other words, the single hospital, which receives a single cheque from the government, which will be accredited as a single hospital, would have a single union. In fact, that did not take place and did not take place at the time of the merger. The hospital's position is that, for the reasons among others that I have just given you, including the ability then to respect seniorities and transfers between the two institutions and so on—

**Mrs Y. O'Neill:** Have you done quite a bit of work on this merging of collective agreements? That is another area where I have had some experience. I would consider it one of the most difficult areas I have ever worked in.

**Dr Hudson:** But what transpired is that we lost the argument last year.

**Mrs Y. O'Neill:** What do you mean by that?

**Dr Hudson:** It was a hearing brought by the hospital to create one union. The union's position was that it preferred to have two unions for reasons of its own. The judgement was in favour of the union. So to this day we have two unions. There is one hospital with two unions.

**Mrs Y. O'Neill:** Where was the hearing? I am sorry, I missed that. Who did that hearing?

**Dr Hudson:** It took place in about June of last year in Toronto; the Ontario Labour Relations Board.

**Mrs Y. O'Neill:** If I may go to the document again that I was referring to earlier, the assurance of competitive purchasing; this is appendix A. In that document you refer to a budget committee. Could you say a little bit about the budget committee?

**Ms Arsenault:** The budget committee's name now is actually the fiscal advisory committee. That committee has membership from among nurses, physicians, administrative staff, and I guess union representation as well. With respect to the equipment, they actually receive the requests

from the various areas in the hospital and they investigate the requests and then set priorities. They make a recommendation to the board of trustees as to what, given the limited amount of funding that is available, the purchases for the next fiscal year should be.

**Mrs Y. O'Neill:** Would they have anything at all to do with policy?

**Ms Arsenault:** Yes. They establish the process, if you like, or the policies surrounding the approval process.

**Mrs Y. O'Neill:** I am going to take this giant leap of information regarding this application here. Would they be the ones that would have been looking at the auditor's request for better documentation, whether that was in purchasing or inventory?

**Ms Arsenault:** No. The audit committee—

**Mrs Y. O'Neill:** Who would have been looking at that, then, and trying to attend to the suggestions?

**Miss Shroff:** The audit committee would look at such a recommendation and make sure it gets implemented.

**Mrs Y. O'Neill:** Okay. We have gone along those lines earlier this morning and I have reread the auditor's report on that. There seems to be some real difficulties with documentation both in the purchasing area and in the keeping of the inventories. Can you say a little bit about anything that has changed since the auditor's report?

**Miss Shroff:** Certainly. The new procedures are in place. Unfortunately, we did not manage to bring a copy of the latest procedures this afternoon. Denise, help me here.

**Mrs Y. O'Neill:** If you could give us a few examples just off the top of your head it would be quite helpful.

**Ms Arsenault:** One of the areas the auditors criticized was that we did not always clearly document the reasons why we had selected a supplier. So we have now expanded what used to be a requirement. We have now clarified and expanded it such that whenever there would seem to be any question as to why we have selected a specific supplier, we now complete a form which we call the basis of award. That now requires that it always be documented. It requires sign-off by the end users as well as by the purchasing department so there is agreement that this has been appropriate.

**Mrs Y. O'Neill:** That is new?

**Ms Arsenault:** Yes, that is right.

**The Acting Chair (Mr Morin):** Do you have a supplementary?

**Mr Kwinter:** Yes, Mr Chairman. I apologize, I am substituting on this committee and I have not heard the background, but I am curious, in the little that I have heard, how purchases are initiated. Who decides what is the global amount any particular department can spend and who triggers it? Is it something where anybody in the department calls up, particularly if it is \$5,000 or less, and says: "I need this, buy it. I've checked it out; take my word for it. Here's what I need." How does that happen?

**Ms Arsenault:** You would start with a purchase requisition that requires approval, in some cases, of medical staff or administrative staff and sort of goes up the line through vice-presidents, depending upon the dollars,



which then would go to the purchasing group. In certain cases, for example in the case of capital equipment, before purchasing would process the requisition it would actually come to the finance directorate to ensure there was funding for it.

**Mr Kwinter:** So there are controls from that point of view.

**Ms Arsenault:** Yes.

**Mr Kwinter:** If the limit has been reached for that particular category of expenditures, that is it?

**Ms Arsenault:** It depends upon the area. We have difficult issues sometimes, in that if you have a patient in the hospital who needs a certain drug, you cannot say, "That's it, you can't spend this dollar." But we would monitor that, in addition, through the monthly reporting process and variance analysis and, again, through the quarterly review process I described, which requires that people forecast things to year-end. In certain cases—and we talked about the question of a transplant patient where the actual timing of one patient coming in, one more than you budgeted, could make things look distorted and you would always want to track how many; are you still on track for your patients over the year? So it is much more complex.

**Mr Kwinter:** You just touched on a point which is exactly the purpose of my question. It is a demand system, in many ways.

**Dr Hudson:** I agree with the point you are making. You can look at it from the other side, that in terms of major purchases of equipment, capital equipment and so on, there is essentially a freeze and that is a policy decision the board has approved. At the moment, unless something is life-threatening—for example, a sterilizer breaks down and has to be replaced—you cannot get anything. That is part of the control we put in place to get ourselves on line before we start next fiscal year at 1% increase. We have a very stringent control, and the fiscal advisory committee to which Ms Arsenault referred has a list of potential purchasing requests which are lined up but which are not going to get funded.

**Mrs Y. O'Neill:** Could you tell us a little about the membership of the fiscal advisory committee?

**Ms Arsenault:** As I explained, I am not certain with the numbers precisely, but there would be three or four physicians who represent different areas and different types of expertise. I think there are three nursing staff, four or five administrative staff, again, with different professional backgrounds, on that committee.

**Mrs Y. O'Neill:** That is not the budget committee.

**Ms Arsenault:** The fiscal advisory committee is the budget committee now, yes.

**The Chair:** Are there any further questions? We would like to thank you. We had scheduled for tomorrow the possibility of these people coming back, but if there are no further questions perhaps we can give them a day off, if that is possible.

**Mr Hayes:** Unless they want to come back.

**The Chair:** No, I do not think they would want to come back. We thank you very much.

**Mrs Y. O'Neill:** Mr Chairman, we have been promised further documentation, so that leaves the possibility that questioning could proceed. I do not know how you would deal with that. Will we be able to have the documentation you have suggested today? Where are we with that?

**Dr Hudson:** As I say, what we did at lunchtime was to lay our hands quickly on the documents in part that were requested and four have been given you. We need to take a fair hunt now for some of the other information. We will get to you as soon as we can, I would certainly imagine within a week.

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**The Chair:** On behalf of the committee, we thank you very much for taking time out of your busy schedule to be here. That will allow us to reorder our business for tomorrow as well, so thank you very much.

Committee, as indicated, we were scheduled to have these people before us again tomorrow. In view of the fact we are not going to, and we had closed session to take place at 2 to 4 tomorrow, perhaps we could move that ahead and deal with it at 10 until 12. If we need to spill over into the afternoon, fine; if we do not, then you all get out of class early tomorrow. Is there unanimous consent that we do that? Hearing no dissenters, I presume there is.

**Clerk of the Committee:** I take it we do not need the ministry people to come either.

**The Chair:** The clerk has indicated to me—I gather there is no need for the ministry people to come either. Okay, 10 o'clock tomorrow morning.

**Mrs Y. O'Neill:** Mr Chairman, will we have something to work on from the research staff, from the result of—

**The Chair:** It would have already been given, Mrs O'Neill. It may be in your office.

**Mrs Y. O'Neill:** Will there be anything further?

**The Chair:** No, you should have a draft of the report which Ray will take us through in an overall scheme. We may get into it a little deeper than we discussed, Ray, because there are people on this committee who were not on the original area.

**Mrs Y. O'Neill:** So there will be a draft report?

**The Chair:** Yes.

**Mrs Y. O'Neill:** Basically including some of the things we have heard?

**The Chair:** Yes.

**Mrs Y. O'Neill:** And the answers to some of the questions we have posed.

**The Chair:** Let me explain. The draft report we are dealing with tomorrow, as you know, is the report on substance abuse. We travelled to the United States and—

**Mrs Y. O'Neill:** Okay, so that is very different. I am sorry.

**The Chair:** It will not be in reference to this issue here.

**Mrs Y. O'Neill:** When will this issue be coming back?

**The Chair:** Really, I guess it will not. We were only given one week to deal with this and we had to pick out some of the issues in the auditor's report we felt were appropriate. In terms of what we will do with that information, I guess it will be in Hansard and members can take appropriate action wherever it is appropriate in perhaps having the government respond if they feel the issue is still—I think it is outstanding. I can tell you, Mrs O'Neill, this issue is equivalent to what we ran into with school boards, and with just about every transfer payment recipient, that there does not seem to be that ability of the auditor to get to the root of it. In fact, it is interesting that the Legislature of Ontario, historically being virtually without limit on its power, other than the Charter of Rights, does not have the power to get at those additional items. That is what the auditor has been asking for since time immemorial, from what I can gather.

We are told, in fairness to the government, that it is at a stage where we should be getting a report about the amendments being requested by the auditor to do a value-for-money audit, subject also to Mr Morin pursuing his motion. That makes a lot of sense.

**Mrs Y. O'Neill:** I think, as Mr Tilson said earlier in the day, that this is such a pioneer effort. It may be a direction all parties, and certainly this government, want to go, but we certainly have to examine it. We are talking about very large operations and my experience, very limited, in merging is that it is not always as one may expect and certainly does not always result in efficiencies. I am not convinced today, from what I have heard, that there have been extensive efficiencies developed.

**The Chair:** I would like to tell you, perhaps off the record, if that is possible—we could perhaps adjourn and I will tell you.

**Mr Duignan:** On that point too, the standing committee on government agencies last week did the conservation authority. It is the exact same situation: Accountability needs to be looked at and examined. Hopefully too, along

with the amendments, what we suggest when amending the Freedom of Information and Protection of Privacy Act also is that it too will open up the process; open up, for example, getting and having a look at the hospital books and administration practices. Maybe that will all be part and parcel of that whole package, where we need to do it.

**Mrs Y. O'Neill:** Everything we say in this building is recorded but minutes of meetings of very large, publicly funded institutions are not available.

**Mr Johnson:** Everything we say is not recorded. We are going to sample that shortly.

**The Chair:** Then I would like to say a few things off the record.

**Mrs MacKinnon:** I have to go on the record.

**The Chair:** You want to go on the record. All right.

**Mrs MacKinnon:** I am not the least bit content with what we have heard here today. I can well remember an amalgamation back home I was involved in that was an awful lot smaller than two hospitals. As Mrs O'Neill has said, every word was recorded, because I had to record it sitting on the floor in the corner of a classroom where there was no other furniture. I find it absolutely amazing that you can go back in Hansard five, almost six years ago, and find out—

**The Chair:** Which happens quite frequently, I might add.

**Mrs MacKinnon:** —find out they expected to save \$5 million and they cannot account for one penny of it six years after the amalgamation. I find that just absolutely incredible.

**The Chair:** Does anybody else want to hang out on the record? I appreciate your doing it on the record, Mrs MacKinnon. That is very admirable. All right, we stand adjourned until 10 tomorrow morning with a change in our schedule. If you could just stay for one second, I would like to say something else which you may or may not agree with.

The committee adjourned at 1547.



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Alan R. Hudson, president	
Denise Arsenault, vice-president, finance	
Naju Shroff, chair, audit committee	
David Allen, assistant vice-president, public relations	

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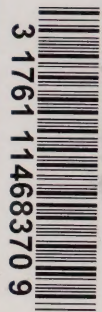






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